CITY OF WAKEFIELD

METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2010/11

Draft Accounts

This Statement can be provided in another format or language if required.

Please contact Financial Reporting on 01924 306469 or via email on finrep@wakefield.gov.uk to discuss your requirements.

AUDITOR'S REPORT

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Peter Box
Leader of the Council

Joanne Roney
Chief Executive of the Council

The following pages set out our accounts for 2010/11 and provide information on how the Council continued to use its resources wisely to provide high quality services to the people of the district, both through delivering services ourselves, and by working with our partners.

We recognise these are challenging times for local authorities, and Wakefield is no exception. Government funding cuts and increased demands are challenging us and a reduction of £67m in our budgets between 2011 and 2015 will stretch us as both a Council and as a service provider. This is why our catalyst council vision will challenge everything we do and lead to changes in both how we work and who we work with.

Our aim is to continue to make the maximum effective use of all our resources. We remain committed to keeping Council Tax levels as low as possible, as well as ensuring that we provide value for money, whilst delivering the best possible quality, in both our spending decisions and the services local people receive. We also recognise more than ever the need to continue to safeguard our resources and spend wisely, particularly in a time of global economic downturn and tightening public finances. Our challenge continues to be to ensure high quality services and investment in the whole district's future.

These accounts demonstrate that Wakefield continues to be financially healthy and we are judged externally to be well managed. This gives us the capacity to plan for, and to meet, the challenges ahead of us.

INTRODUCTION BY THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE

We believe that Wakefield Council already provides many good quality services, but we recognise the need to review what we do and focus our resources on our priorities. We will strive to protect and support our most vulnerable people, as well as safeguarding our children, maintaining healthy and safe communities and investing to secure the long term future of our district. Sound financial management and budgeting, and aligning our resources to meet citizen priorities, are an essential part of this. This report demonstrates Wakefield's commitment to sound financial management, as well as our commitment to using our resources to the maximum benefit of local people and communities.

Peter Box
Leader of the Council

Joanne Roney
Chief Executive of the Council

INTRODUCTION

This document is the Statement of Accounts for Wakefield MDC. It has been prepared in accordance with the accounting principles specified in the 2010 Code of Practice on Local Authority Accounting (the Code) and complies with the 2010 Best Value Accounting Code of Practice (BVACOP). It covers the financial year from 1 April 2010 to 31 March 2011 and shows the financial position of the Council and the cost of services it provides. These are illustrated in the charts on the following pages. The foreword and financial summary provides a guide to the most significant matters in the financial statements. In order to provide easily understood information, facts and figures have been presented as simply and clearly as possible.

1. ACCOUNTABILITY AND FINANCIAL REPORTING

Local Authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the Council is required to produce a set of accounts in order to inform stakeholders of the Council, that it has properly accounted for all the public money it has received and spent and that the financial standing of the Council is on a secure footing.

2. THE CORE FINANCIAL STATEMENTS

The following core financial statements show the financial activity of the Council in relation to the services provided. These have been prepared in accordance with the 2010 Code of Practice. This year the introduction of the Code has meant a major change in the way in which the financial statements are prepared and presented, this means they are now produced using International Financial Reporting Standards (IFRS), as a result we now have new core statements, some different disclosure notes and have restated 2009/10 accounts to IFRS format (which are now shown as the comparative figures) and the position as at 1/4/09.

The new core statements are:

Movement in Reserves Statement

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Comprehensive Income & Expenditure Statement

Balance Sheet

Cash Flow Statement

These can be found on pages 17 to 20.

Other statements included are:

The Collection Fund.

This shows the transactions relating to National Non-Domestic Rates and Council Tax.

Statement of Responsibilities for the Statement of Accounts.

This sets out the respective responsibilities of the Council and the Director of Finance

Annual Governance Statement. (Appendix A for reference)

This sets out the framework designed to ensure that the Council operates a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

Wherever possible technical accounting terms have been explained in the main text or in the glossary at the back of this document.

3. FINANCIAL SUMMARY

REVENUE EXPENDITURE

The Council faced a number of financial challenges during 2010/11 arising from cuts in Government funding which were applied in-year and the outcomes of the Comprehensive Spending Review published in October 2010 which indicated significant further reductions to the Council's funding over the next four financial years.

Additionally the Council had to deal with the financial impact of a number of service demand pressures in 2010/11, in particular on Children's and Adults Family Services. The severe winter weather conditions also impacted on the costs of winter maintenance and on the volume of highway maintenance works needed to repair damaged roads.

The budget for 2010/11 approved by Council in March 2010 included £10m of budget and efficiency savings to be delivered primarily from corporate efficiencies across all of the Council's services. In June 2010, the Government began announcing cuts to those levels of funding to Councils which had been previously agreed for 2010/11. Ultimately, the Council's funding was cut by £10.6m. This was a combination of revenue and capital funding and a mix of what had been recurring and non-recurring funding allocations.

Taking account of these funding cuts, the Government's Emergency Budget of 22 June 2010 and the difficult financial climate generally, the Council kept its budget for 2010/11 and financial plans for the medium term under regular review and a number of budget update reports were submitted to Cabinet and Council during the year.

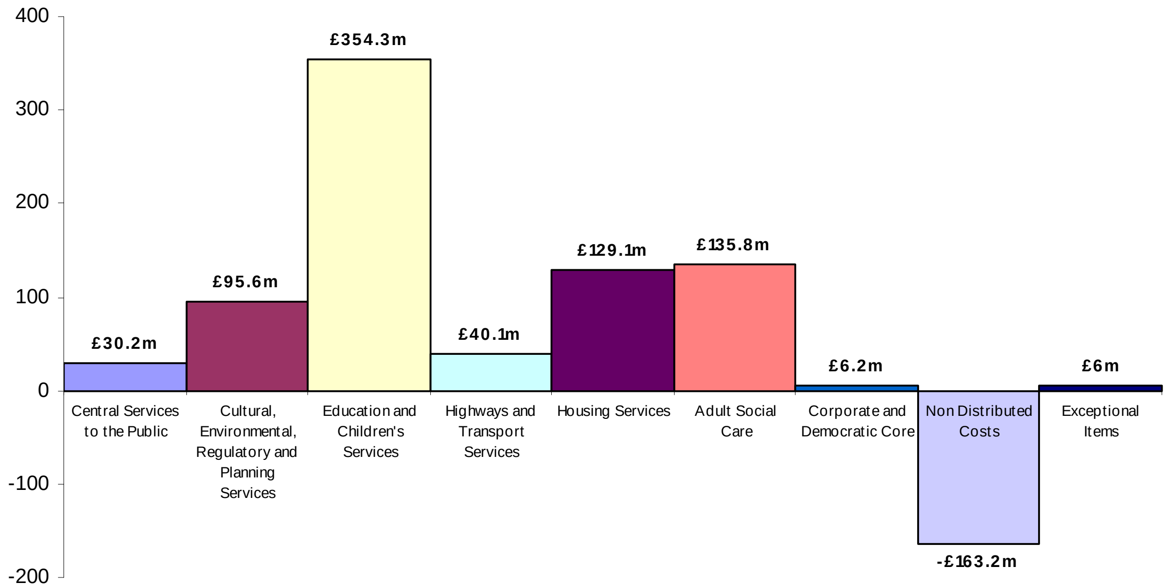
As part of delivering its financial strategies and adapting those financial strategies to changing circumstances a number of decisions were taken in-year with regard to use of 2010/11 budget

funding, the level of Council reserves and actions which the Council needed to take to ensure that a balanced budget could be maintained for 2010/11 and that medium term financial plans remained robust and deliverable.

The final revenue outturn for 2010/11 confirmed that a balanced budget had been maintained. More information on the outturn for 2010/11 was contained within the Financial Outturn report submitted to Cabinet on 28 June 2011.

The Council accounted for a total of £634.1m revenue expenditure on services in 2010/11. This is summarised by service in the chart below. More detail is contained in the Comprehensive Income and Expenditure Statement.

Gross Revenue Expenditure on Continuing Services 2010/11 (£634.1m)



Service expenditure for 2010/11 is impacted significantly by the Non-Distributed Costs figure which includes £168.6m relating to the negative past service cost for pensions increases being amended from the RPI (Retail Prices Index) basis to the CPI (Consumer Prices Index) basis, as per the Government's budget announcement in June 2010.

Taking account of this impact, the chart shows that the Council spent £802.7m on the delivery of services during 2010/11.

Within the balanced outturn position for 2010/11, the Council has made a net transfer to Earmarked Reserves of £10.5m of funds which were provided for within the 2010/11 budget but not required to be used during the year for the purposes for which they were allocated. The main transfers into reserves were :

- £2.5m of Schools Funding which is carried forward for future years' use
- £5.1m of Waste PFI funding. £2.3m is added to the Capital Expenditure Reserve to support delivery of the Capital Programme, £2.8m is added to the Waste PFI Reserve to support delivery of the Waste PFI Project.
- £2.4m of savings generated within Treasury Management have been reserved to support the management of the current downturn in investment income and interest rates without adversely affecting the budget during 2011/12 and the medium term.

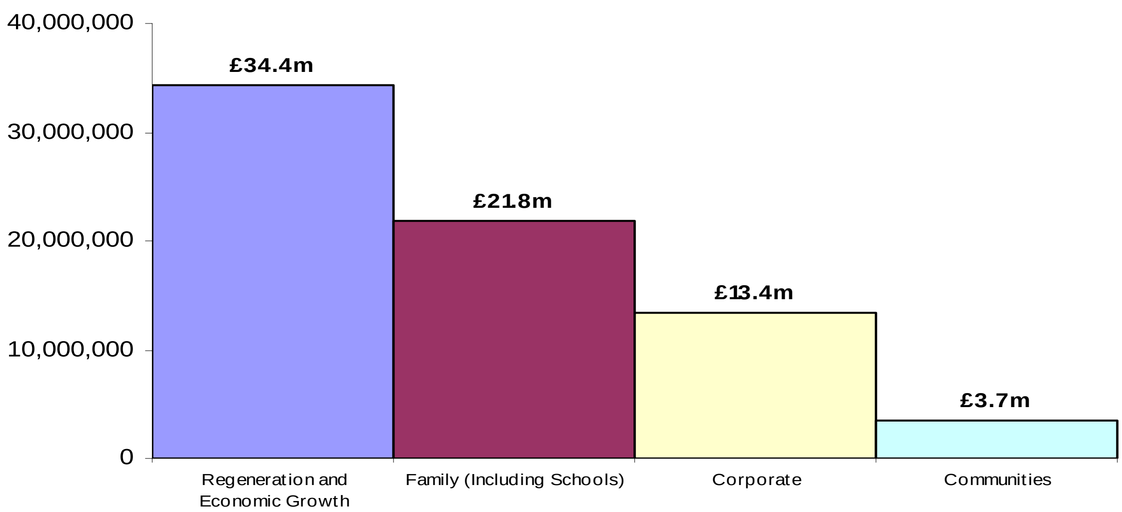
CAPITAL EXPENDITURE

The Council invested £73.2m in capital projects during 2010/11. The charts below illustrate this total expenditure by Service and how the expenditure was funded.

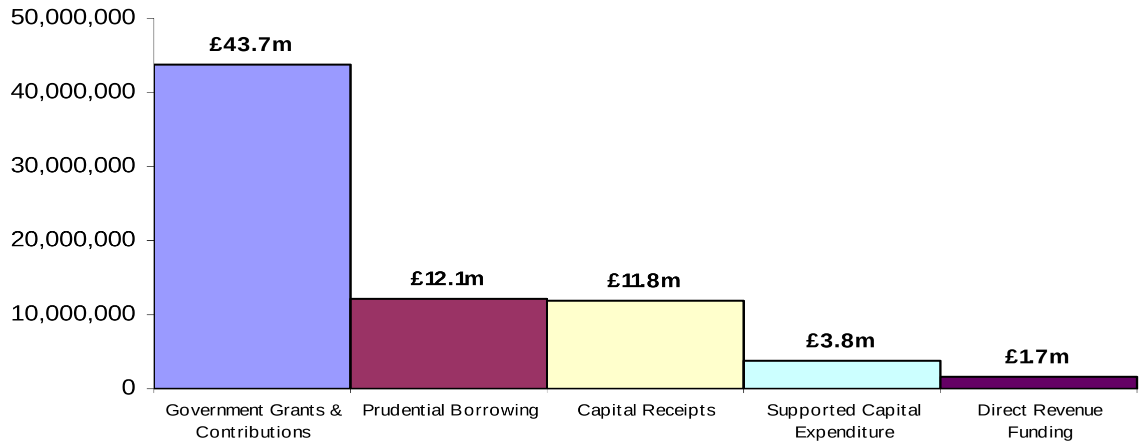
The Capital Programme approved by Council in March 2010 envisaged a temporary mismatch of expenditure to resources in 2010/11 whereby £19m of expenditure plan to be incurred in advance of capital receipts would need to be covered by either the Capital Expenditure Reserve or temporary additional Prudential Borrowing.

A comprehensive review of the Capital Programme and capital resources was undertaken during the summer and an updated Programme was approved by Council in October 2010. As a result of this review and Programme update, the Council was able to finance capital expenditure for 2010/11 with no call on the Capital Expenditure Reserve and without any additional Prudential Borrowing financing to that which was planned for specific projects.

Capital Expenditure by Service 2010/11 (£73.2m)



Funding of Capital Expenditure in 2010/11 (£73.2m)



4. SIGNIFICANT ISSUES AND NEW DEVELOPMENT 2010/11

The following paragraphs describe briefly the significant issues and new developments that the Council has had to address in preparing this statement for 2010/11.

IMPACT OF THE CODE 2010

As mentioned in the introduction the 2010/11 accounts have meant some major changes in the way in which some elements of the accounts are prepared due to the introduction of IFRS into Local Authority accounting, the major impacts have been

- capital accounting and the categorisation of non-current assets (formally known as fixed assets),
- all leasing arrangements have been reviewed and this has meant reclassification of some leases,
- grants and contributions income now has to be recognised immediately unless there are any conditions that have not been met
- we now have to account for the value of any untaken annual leave/flexi as at 31st March – this is shown in the new accumulated absences reserves
- several accounting policies have been changed
- there are new disclosure notes and changes to existing disclosure notes
- the Balance Sheets for both 1/4/09 and 31/3/10 have been restated and are shown alongside the 2010/11 Balance Sheet.

PENSION LIABILITY

The Council is required to recognise the cost of retirement benefits when employees earn them, rather than when they are actually paid to pensioners and show the net liability in the Balance Sheet. The estimated IAS19 net pensions liability has decreased by £346.5m, from £729.6m to £383.1m, with a corresponding decrease in the deficit on the Pensions Reserve. This is due to:

	£ million
A decrease in the value of liabilities due to changes in the principal financial assumptions predominantly the change in prices indexation from Retail Prices Index (RPI) to Consumer Prices Index (CPI) (£168.6m), gains on actuarial valuations (£180.7) and the unwinding of discounting on interest costs (-£83.3)	270.9
Add	
An increase in the actuarial gain on assets due to changes in the investment return.	75.6
Decrease in Net Pension Liability	**346.5**

SINGLE STATUS

The impact of settlement of Equal Pay claims is shown as an exceptional item within the accounts

GROUP ACCOUNTS

The Council has considered the Code requirements for local authorities to produce group accounts. The outcome of the review is that the Council does not have any interests in outside companies or organisations which are sufficiently material to require the production of group accounts in 2010/11.

BORROWING

The Council reduced its amount of long-term loans by £0.3m (Principal amount) during 2010/11, this included scheduled repayments along with redemption of mortgages. This results in a reduction of the long term borrowing liability in the Balance Sheet of £0.3m (Carrying amount) from £201m to £200.7m. The long-term borrowing liability of £200.7m compares with a Capital Financing Requirement of £257.6m. This is because the Council's current Treasury Management Strategy seeks, as far as possible, to maximise use of cash flows and avoid taking out borrowing to finance new capital expenditure. This Strategy is applied in recognition of the relatively low level of returns which can be achieved from cash deposits at current Bank Base Rate levels compared with the cost of borrowing. The Strategy also recognises that risks with investment counterparties remain relatively high due to the current economic climate.

PRUDENTIAL CODE

To facilitate the decision-making process and support capital investment decisions, the Prudential Code requires the Council to approve and monitor a number of Prudential Indicators. These indicators are mandatory and cover affordability, prudence, capital expenditure, external debt and treasury management and must be approved before the start of the financial year.

Performance against all the approved indicators is monitored monthly/quarterly through the management reporting process. The Treasury Management Outturn report submitted annually to

Cabinet compares actual performance for the year against all the indicators as approved by Council at the start of that year.

SCHOOLS

During 2010/11, Wakefield City High School and Ossett School changed status from Trust Schools to Academies. On conversion to Academies, the Schools were established as a company limited by guarantee with charitable status, and therefore are no longer maintained by the Local Authority. This means that they are funded directly by the Government and report their income and expenditure in accounts submitted to the Charity Commission. The Local Authority Dedicated School Grant Income and education expenditure has reduced accordingly.

On 1st March 2011, 8 schools forming part of the Pontefract pyramid of schools transferred to a charitable Trust status. As part of this process, the land and assets of the schools involved have been transferred from the Council to the trust in accordance with Education legislation, hence assets with a value of £29.295m have been removed from the Council's balance sheet. Annual funding to the Trust schools is still provided by the Council in exactly the same way as for other Council maintained schools, mostly from Dedicated Schools Grant.

INVESTMENTS IN ICELANDIC BANKS

Early in October 2008 the entire Icelandic Banking system collapsed. At that time the Council had £9m of deposits with Icelandic Banks and their subsidiaries, £3m each with Icelandic Banks Landsbanki Islands HF and Glitnir and £3m with Heritable, a UK subsidiary of Landsbanki.

The current situation with regards to recovery of these deposits varies between each institution, but overall the Council expects that it will recover in excess of 93% of these deposits by means of staged payments which commenced in July 2009 and from which the Council has received total payments to 31 March 2011 of £1.564m. Recovery processes are expected to conclude by 2012/13 for Heritable bank, 2011/12 for Glitnir Bank and by December 2018 for Landsbanki. Further details of Icelandic Bank deposits and expected recovery are included within Note 44 to the Core Financial Statements. In cash terms the Council expects that ultimately it will receive repayments of deposit, together with some interest, totalling approximately £9m.

5. LOOKING FORWARD

EVENTS AFTER THE BALANCE SHEET DATE

Under IAS 10 we need to disclose any events which concerned conditions that did not exist at the Balance Sheet date and that occurred after the Balance Sheet date but before the date on which the Statement of Accounts were authorised for issue. The Statement of Accounts was authorised for issue by the Director of Finance and Property on 30th June 2011, there are three events to disclose.

On 21st May 2011 the Hepworth opened and on that date the gallery and car park were leased to the Hepworth Trust under peppercorn leases.

On 6 June 2011 construction began on the new pool and facilities to be known as Wakefield One, it is anticipated that it will open Summer 2012, the estimated cost of the total scheme is £10m

On 1st April 2011 two high schools, Airedale High School and Castleford High School became Academies and moved out of Local Authority control. Their assets will be removed from the Council's Balance Sheet in 2011/12 and replaced with peppercorn leases.

MEDIUM TERM FINANCIAL STRATEGY

The Council's assessment of its budget position across the Spending Review period to 2014/15 was set out in detail within the Budget Report for 2011/12 approved by Council on 1 March 2011.

That report set out the Council's estimate that it had to achieve £67m of budget savings by 2014/15, £19m of which fell in 2011/12 leaving £48m for the following three years.

The Local Government Finance Settlement announced for 2011/12 gave provisional allocations for 2012/13 only. The estimates of budget savings for the latter two years of the Spending Review period can therefore only be drawn from information from the Comprehensive Spending Review (CSR) documentation at this stage and will be kept under review as further information and detail is provided by the Government.

Early identification of ways in which the Council can address funding cuts over the coming years is critical to ensuring that the Council's budget strategies can remain on course to support delivery of the Council's key objectives. This is already being addressed by the Council's Corporate Management Team and Cabinet Members in considering a range of options as to how £22m of savings could be delivered in 2012/13. Further discussions and development and refinement of options will continue during the summer of 2011 in readiness for consultation and preparation of the 2012/13 budget throughout the autumn.

CAPITAL STRATEGY AND PLANS

The Council's Capital Strategy is an integral part of the Council's financial and business planning processes and provides the framework for the development of capital plans and informs the Medium Term Financial Strategy. The Capital Strategy outlines the Council's approach to capital investment in seeking to ensure that capital resources are used effectively in meeting the Council's corporate priorities.

The Capital Programme is under significant pressure however, partly because of a significant reduction to capital receipts which is being experienced due to the impact of the current economic climate in general and the property market in particular, and partly due to significant reductions in

Government funding for capital projects for 2011/12 onwards as announced in the CSR and Local Government Finance Settlements.

Consequently the Capital Programme remains under regular review to ensure that the Council is making maximum use of those capital resources which are available in progressing the strategic priorities of the Council as set out in Corporate and Capital Plans.

CONCLUSION

The Council's final position for 2010/11 is as planned for during the year which means that the Council is well placed to continue service delivery as intended throughout 2011/12. This is a significant achievement for the Council within a very challenging financial climate.

However, as those financial challenges become ever greater in the next few years it is critical that the Council can maintain its robust financial management arrangements alongside continuous review of financial plans and strategies. Sound and effective financial management provides essential support to enabling the Council to continue to protect and deliver priority services and use available resources to the maximum benefit for the District's people.

I would like to thank all Members and Officers who have made 2010/11 a success and would particularly like to thank colleagues in Financial Services for their hard work and commitment in completing this Statement of Accounts and all the supporting information.

Judith Badger CPFA
Director of Finance and Property
30 June 2011

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the officer is the Director of Finance and Property.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of accounts

THE DIRECTOR OF FINANCE AND PROPERTY'S RESPONSIBILITIES

The Director of Finance and Property is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the code).

In preparing this Statement of Accounts, the Director of Finance and Property has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the local authority code.

The Director of Finance and Property has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

THE DIRECTOR OF FINANCE AND PROPERTY'S CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of Wakefield Metropolitan District Council at 31 March 2011 and its income and expenditure for the year then ended.

Judith Badger CPFA
Director of Finance and Property
30 June 2011

STATEMENT OF RESPONSIBILITIES

Left blank for approval by Chair of Audit Committee by 30 September 2011

Chair of the Audit Committee

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves applied by the Council.

2009/10

	General Fund Balance £000	Earmarked General Fund Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Note
Balance at 31 March 2009	**6,109**	**64,228**	**2,144**	**23,235**	**95,716**	**156,435**	**252,151**	
Movement in reserves during 2009/10								
Surplus or (deficit) on provision of service	21,060	-	-	-	21,060	-	21,060	
Other Comprehensive Expenditure and Income	-	-	69	-	69	(314,159)	(314,090)	
Total Comprehensive Expenditure and Income	**21,060**	**-**	**69**	**-**	**21,129**	**(314,159)**	**(293,030)**	
Adjustments between accounting basis & funding basis under regulation	4,453	-	5,633	(11,634)	(1,548)	1,548	-	
Net Increase / Decrease before Transfers to Earmarked Reserves	**25,513**	**-**	**5,702**	**(11,634)**	**19,581**	**(312,611)**	**(293,030)**	
Transfers to / from Earmarked Reserves	(25,513)	4,461		21,052	-	-	-	
Increase / Decrease (movement) in Year	**-**	**4,461**	**5,702**	**9,418**	**19,581**	**(312,611)**	**(293,030)**	
Balance at 31 March 2010	**6,109**	**68,689**	**7,846**	**32,653**	**115,297**	**(156,176)**	**(40,879)**	

2010/11

	General Fund Balance £000	Earmarked General Fund Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Note
Balance at 31 March 2010	**6,109**	**68,689**	**7,846**	**32,653**	**115,297**	**(156,176)**	**(40,879)**	
Movement in reserves during 2010/11								
Surplus or (deficit) on provision of service	125,776	-	-	-	125,776	-	125,776	
Other Comprehensive Expenditure and Income	-	-	17	(2)	15	206,519	206,534	
					-	-	-	
Total Comprehensive Expenditure and Income	**125,776**	**-**	**17**	**(2)**	**125,791**	**206,519**	**332,310**	
Adjustments between accounting basis & funding basis under regulation	(103,579)	-	(1,530)	(16,410)	(121,519)	121,519	-	7
Net Increase / Decrease before Transfers to Earmarked Reserves	**22,197**	**-**	**(1,513)**	**(16,412)**	**4,272**	**328,038**	**332,310**	
Transfers to / from Earmarked Reserves	(22,131)	10,530	-	11,601	-	-	-	8
Increase / Decrease (movement) in Year	**66**	**10,530**	**(1,513)**	**(4,811)**	**4,272**	**328,038**	**332,310**	
					-	-	-	
Balance at 31 March 2011	**6,175**	**79,219**	**6,333**	**27,842**	**119,569**	**171,862**	**291,431**	

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This statement shows the cost of providing the Council's services as they are accounted for in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2009/10 Re-stated				2010/11			Note
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Comprehensive Income and Expenditure Statement	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
31,809	(29,304)	2,505	Central services to the public	30,194	(28,368)	1,826	
101,258	(34,603)	66,655	Cultural, environmental, regulatory and planning services	95,605	(26,473)	69,132	
358,081	(280,023)	78,058	Education and children's services	354,306	(287,871)	66,435	
43,485	(14,691)	28,794	Highways and transport services	40,157	(9,387)	30,770	
123,370	(117,306)	6,064	Housing Services	129,108	(114,686)	14,422	
132,551	(52,768)	79,783	Adult social care	135,812	(51,122)	84,690	
6,724	(538)	6,186	Corporate and democratic core	6,164	(62)	6,102	
4,095	(362)	3,733	Non distributed costs	(163,231)	(88)	(163,319)	
2,345	(299)	2,046	Exceptional items	5,971	(8,559)	(2,588)	
803,718	**(529,894)**	**273,824**	**Cost of Services**	**634,086**	**(526,616)**	**107,470**	
4,933	(8,745)	(3,812)	Other Operating Expenditure and Income	4,779	26,707	31,486	9
94,287	(55,654)	38,633	Financing and investment income and expenditure	183,306	(140,327)	42,977	10
-	(329,705)	(329,705)	Taxation and non-specific grant income	-	(307,709)	(307,709)	11
		(21,060)	**(Surplus) or Deficit on Provision of Services**			**(125,776)**	
		(44,715)	(Surplus) or deficit on revaluation of non current assets			(12,440)	
		359,609	Actuarial (gains) / losses on pension assets / liabilities			(193,757)	
		(804)	Other (gains) / losses			(337)	
		314,090				(206,534)	
		293,030	**Total Comprehensive Income and Expenditure**			**(332,310)**	

Gross service expenditure for 2010/11 is impacted significantly by the Non distributed costs line which includes a figure of £168.6m relating to the negative past service cost for pensions increases being amended from RPI (Retail Prices Index) basis to CPI (Consumer Prices Index) basis, as per the Governments budget announcement in June 2010. More detail is given in disclosure note 41.

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (total assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, these are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

1 April 2009 £000	31 March 2010 £000	Balance Sheet	31 March 2011 £000	Notes
734,140	804,128	Property, Plant & Equipment	788,687	12
41,132	39,977	Investment Property	44,384	13
1,879	1,686	Intangible Assets	1,276	14
-	-	Assets Held for Sale	640	19
14,231	11,274	Long Term Investments	13,095	15
31,966	29,991	Long Term Debtors	27,989	15
823,348	**887,056**	**Long Term Assets**	**876,071**	
62,345	42,795	Short Term Investments	54,661	15
5,760	4,600	Assets Held for Sale	641	19
930	908	Inventories	1,143	16
64,310	67,858	Short Term Debtors	49,770	17
133,345	**116,161**	**Current Assets**	**106,215**	
(3,884)	(11,544)	Cash and Cash Equivalents	(3,974)	18
(17,165)	(1,105)	Short Term Borrowing	(1,104)	15
(68,210)	(55,877)	Short Term Creditors	(63,000)	20
(9,967)	(9,937)	Short Term Provisions	(4,011)	21
(99,226)	**(78,463)**	**Current Liabilities**	**(72,089)**	
(3,855)	(5,520)	Long Term Provisions	(7,099)	21
(222,179)	(201,006)	Long Term Borrowing	(200,744)	15
(375,882)	(757,348)	Other Long Term Liabilities	(409,158)	39
(3,400)	(1,759)	Capital Grants Receipts in Advance	(1,765)	34
(605,316)	**(965,633)**	**Long Term Liabilities**	**(618,766)**	
252,151	**(40,879)**	**Net Assets**	**291,431**	
95,716	115,297	Usable Reserves	119,569	22
156,435	(156,176)	Unusable Reserves	171,862	23
252,151	**(40,879)**	**Total Reserves**	**291,431**	

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

2009/10 £'000	Cash Flow Statement	2010/11 £'000	Notes
21,060	Net surplus or (deficit) on the provision of services	125,776	
175,725	Adjustment to surplus or deficit on the provision of services for noncash movements	135,738	
(180,856)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(228,806)	
15,929	Net Cash flows from operating activities	**32,708**	24
18,702	Net Cash flows from Investing Activities	(24,042)	25
(42,292)	Net Cash flows from Financing Activities	(1,095)	26
(7,661)	Net increase or decrease in cash and cash equivalents	**7,571**	
(3,884)	Cash and cash equivalents at the beginning of the reporting period	(11,545)	
(11,545)	**Cash and cash equivalents at the end of the reporting period**	**(3,974)**	

This year the introduction of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) has meant a major change in the way in which the financial statements are prepared and presented, this means they are now produced using International Financial Reporting Standards (IFRS), as a result we now have new core statements and some different disclosure notes. In order to aid comparison with previous years we have restated 2009/10 accounts (comparative figures have been amended where necessary) and the position as at 1/4/09.

Major changes occurred with regard to:

- **Treatment of grant income**

  The Code requires the council to recognise grants and contributions in the Comprehensive Income and Expenditure Statement as soon as there is reasonable assurance that the council has met the conditions of those grants and contributions, irrespective of whether any expenditure has been incurred (any unapplied amounts are transferred to an earmarked reserve in the Movement in Reserves Statement), this is compared to the previous treatment under the SORP where monies were credited to the Income and Expenditure Account only when expenditure had been incurred, previous unapplied balances were held with the status of a liability on the balance sheet.

  The restatement process has removed £41.8m at 31.3.10 as a liability and reclassified it as a capital and revenue grant unapplied earmarked reserve (as at 1.4.09 this value was £30.8m). See disclosure note 22 (iv)

- **Treatment of leases and the reclassification of leases**

  The Council reviewed all significant leases under IFRS restatement and reclassified one operating lease for land as a finance lease, previously under the SORP land leases were categorised as operating leases. Two of the primary indicators of a finance lease are:

  - the lease term is for the major part of the economic life of the asset
  - the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset.

  For the lease that has been re-categorised both these finance lease indicators were met, the lease was reclassified and the land (valued at £6.675m at 1.4.09) has been taken off the Council's balance sheet and replaced with a Debtor and Deferred Capital Receipt (valued at £10.125m at 1.4.09 and £ 8.067m at 31.3.10). See disclosure notes 15, 23 (iv) & 37.

- **Reclassification of non-current assets**

  In accordance with IAS 16 (Property, Plant & Equipment), IAS 40 (Investment Property) and IFRS 5 (Non-current Assets Held for Sale) the Council's Surplus Assets and Investment Properties were reviewed under new stricter criteria. The result being that a number of properties have been reclassified and re-valued using the appropriate revaluation method for that type of asset. The restatement process recognised Assets

Held for Sale with a value of £4.6m at 31.3.10 (£5.76m at 1.4.09) and Investment Properties with a value of £39.98m at 31.3.10 (£41.13m at 1.4.09). Further information can be found in disclosure notes 12, 13 & 19.

- **New accumulated absences reserve**

  In accordance with IAS 19 (Employee Benefits) the council is required to account for short term accumulating absences, this is the additional amount that the council expects to pay as a result of unused leave entitlement (including flexi-working and time off in lieu) that has accumulated as at the balance sheet date. This liability includes associated employer's national insurance and pension contributions. The restatement process created an additional liability and unusable reserve on the balance sheet of £7.702m at 31.3.10 (£6.602 at 1.4.09). See disclosure note 23 (vii).

- **Changes to the Comprehensive Income and Expenditure Statement (CI&ES)**

  Following restatement the 2009/10 CI&ES had the following major changes:

  The overall Cost of Services increased by £9.4m, mainly due to the new requirements for accounting for grant income. Previously under the SORP capital grant were credited to the Cost of Services from the Government Grants Deferred Account in line with the depreciation policy of the asset to which the grant related. Under IFRS the Government Grants Deferred Account no longer exists and the balance at 1.4.09 was transferred to the Capital Adjustment Account, grants to the value of £13.8m which had been taken to the Income and Expenditure Account under the SORP in 2009/10 were therefore removed.

  The taxation and non specific grant income line has increased by £60.6m, this is due to the new accounting treatment for capital grants and contributions which requires grants to be recognised in the CI&ES as soon as there is reasonable assurance that any conditions of those grants and contributions have been met irrespective of whether expenditure has been incurred, the grants are then transferred through the Movement in Reserves to the Capital Adjustment Account if the grant has been applied or if unapplied to the new capital grants reserve.

- **Revaluation Gains/Losses**

  Under restatement there has been a change to the value of revaluation gains which were previously part of the Statement of Recognised Gains and Losses (STRGL) under the SORP. Under the Code revaluation increases on Investment Properties now go through the CI&ES, this has resulted in the 2009/10 revaluation gain figure (now a component of the Other Comprehensive Income and Expenditure) decreasing from £52.5m to £44.7m.

The following notes provide more detailed information in order to assist understanding of the main financial statements.

1. ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The following policies have been adopted in compiling the accounts:

Fundamental Accounting Concepts:

- The accounts have been prepared on a historical cost basis, except that certain categories of assets are re-valued at regular intervals.

- The revenue and capital accounts are maintained on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received. Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.

- Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.

- Income has only been recognised within the accounts where there is a reasonable certainty of receipt, and proper allowances have been made for all foreseeable losses and liabilities.

- The accounts have been prepared on a going concern basis.

- The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character.

- As allowed under the Code the concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.

- Where estimating techniques are required to enable the accounting practices adopted to be applied, the techniques which have been used are, in the Council's view, appropriate and

consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, where practical, the effect on the results for the current period are separately disclosed. Note 4 to the core financial statements provides further details.

- In accordance with the Code, where an accounting treatment is prescribed by law, then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts.

a) ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- fees, charges and rents due from customers are accounted for as income at the date the Council provides the goods or services.

- supplies are accounted for as expenditure when they are consumed. Where there is a gap between the date the supplies are received and their consumption, they are carried as stocks in the Balance Sheet.

- employee costs have been charged to the period within which the employees worked, except for a few cases that are immaterial in value.

- interest payable and receivable is accounted for in the period to which it relates on a basis that reflects the overall economic effect of the loan or investment.

- where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, a provision for bad debts is made within the accounts. See accounting policy (bb).

- income and expenditure are credited and debited to the Income and Expenditure Account, unless they properly represent capital receipts or capital expenditure.

b) AREA BASED GRANT

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

c) CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours (this will include deposits placed in instant access accounts (if any), deposits in Money Market Funds (if any) and deposits in the DMADF (Debt Management Account Deposit Facility (if any)). Cash equivalents are deposits that are readily

convertible to known amounts of cash with insignificant risk of change in value. This will include Call accounts (if any).

In the Cash Flow Statements, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form part of the Council's cash management. Note 18 to the core financial statements gives further details of cash and cash equivalents.

d) CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the tangible non-current assets used by the relevant service

- revaluation losses attributable to non-current assets used by the service and other losses where there is no or insufficient accumulated gains in the Revaluation Reserve against which all the losses can be written off

- impairment losses attributable to the clear consumption of economic benefits on non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses, revaluation losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. For capital expenditure incurred before 1 April 2009 or which in the future will be Supported Capital Expenditure, the Minimum Revenue Provision (MRP) follows the practice outlined in the former CLG Regulations; From 1 April 2009, for all unsupported borrowing, the MRP is based on the estimated life of the assets, in accordance with current Regulations. Depreciation, impairment losses, revaluation losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

e) COLLECTION FUND

The Council maintains a Collection Fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

In its capacity as a billing authority the Council acts as an agent, as it collects and distributes Council Tax income on behalf of the major preceptors .Under the Code of Practice, the Council Tax income included in the Income and Expenditure Account for the year is the accrued income for the year based on the level of Council Tax as determined by the budget requirement set by the Council

The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included in the Movement in Reserves Statement.

A proportion of the cash collected by the Council from Council Tax debtors belongs to precepting authorities, a debtor/creditor is provided in the Council's Balance Sheet for the difference between the net cash paid to each preceptor in the year and its share of cash collected from Council Tax payers.

f) COMPONENTISATION OF NON-CURRENT ASSETS

Non-current assets valued through the Council's 5 year rolling programme of valuations are assessed for any significant components, where the value of the asset is greater than £1million on revaluation. A significant component is an item with a value greater than 10% of the total asset value, and which has a different useful life to the rest of the asset. An exception to this is any specialist asset which the valuation officer may deem has a specialist component which should be recognised separately, where its useful life is significantly different from the remaining part of the total asset.

Capital expenditure is monitored throughout the year to identify replacements or changes of a significant component on non current assets.

The carrying value any component being replaced will be charged initially to the service revenue account as a disposal. This value is not permitted by regulation to have an impact on the General Fund Balance and is therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

g) CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts, in accordance with IAS37.
Further details can be found in note 43 to the core financial statements.

h) CONTINGENT LIABILITIES

A contingent liability arises from a past event that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a

provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts, unless the possibility of an outflow of resources embodying economic benefit is remote, in accordance with IAS37. Further details can be found in note 42 to the core financial statements.

i) DISPOSAL OF ASSETS

When an asset is disposed of, or decommissioned, any gain or loss on the disposal is credited or charged to the Other Operating Expenditure or Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement. The gain or loss is calculated by reference to the difference between the sale proceeds of the asset and the value of the asset in the Balance Sheet plus any material costs of disposal. Any revaluation gains in the Revaluation Reserve, relating to the asset disposed of, are transferred to the Capital Adjustment Account.

Receipts from disposals in excess of £10,000 are classified as capital receipts in accordance with Local Authorities (Capital Finance and Accounting)(England) Regulations 2003. A proportion of receipts relating to housing disposals is payable to the government. The remaining receipts are required to be credited to the Usable Capital Receipts Reserve, and can be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Movement in Reserves Statement.

The carrying amount of disposals written off to the Comprehensive Income and Expenditure Statement is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. These amounts are appropriated to the Capital Adjustment Account from the reserve in the Movement in Reserves Statement.

j) EMPLOYEE BENEFITS

The Council accounts for employee benefits in accordance with the requirements of IAS 19.

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at an average salary rate. The accrual is charged to the relevant service line in the Comprehensive Income and Expenditure Statement, but then reversed out through the

Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accrual basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Note 48 to the core financial statements provides further details.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, (administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, known as the West Yorkshire Pension Fund and administered by Bradford Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the West Yorkshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on a weighted average of "spot yields" on AA rated corporate bonds).

The assets of West Yorkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase/decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

- contributions paid to the West Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to the pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are included in notes 40 and 41 to the core financial statements.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government scheme.

k) EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. These are accounted for in accordance with IAS 10. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Details of any such events can be found in note 6 to the core financial statements.

l) EXCEPTIONAL ITEMS

Any material exceptional items are separately disclosed in the accounts. Further details can be found in note 47 to the core financial statements.

m) FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. This includes cash deposits which the Council made with Banks, Building Societies and other organisations.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans and cash deposits that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, although these principles relate to the majority of the Loans and Receivables held at the year-end, there are cash deposits which have either an initial fixed period at a fixed interest rate, after which the instruments' rate is linked to a market rate (3 month Libor) and there are others where the interest rate is linked to a market rate (3 month Libor) from the outset. These instruments will be accounted for at the actual interest rate through the Comprehensive Income and Expenditure Statement, and the Balance Sheet value will be the principal amount. These particular instruments are accounted for in this way because future changes in interest rates are too uncertain to be predicted and an EIR requires actual interest rate projections whereas the Libor rates will be those prevalent at the time.

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost that the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

A financial instrument that is 'held for trading' should be accounted for on the basis of 'fair value through profit or loss'. The definition of 'held for trading' covers three types of transactions:

- Instruments acquired or incurred principally for the purpose of selling or repurchasing them in the near term.
- Instruments that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking
- Derivatives – these are defined in IAS39 as instruments with all of the following three characteristics:
    - Their value changes in an 'underlying' – a specified interest rate, financial instrument price, credit rating etc.
    - They require no initial net investment or have a smaller initial net investment than would be required for other types of contract that would be expected to have a similar response to changes in market factors.
    - Settlement will take place at a future date

Where the Council uses forward contracts to purchase investment assets such forward contracts are 'derivatives' between the trade and settlement date. If a forward contract is open at the year-end the gain or loss on the forward contract is recognised in the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. If the forward contract has a positive value it is shown as a financial asset in the balance sheet. If it has a negative value it is shown as a financial liability in the balance sheet. The Council has not used any forward contracts to purchase investment assets in 2010/11.

The Council has a further derivative in the form of a collaboration agreement (Ackton Pastures). The instrument has been recognised and is carried at its Fair Value. Movements in fair value recorded in the Balance Sheet will be balanced by posting gains and losses to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as they arise. Any residual gains and losses arising at the settlement date will be cleared through the Surplus or Deficit on the Provision of Services.

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

n) GOVERNMENT GRANTS AND CONTRIBUTIONS

The Council accounts for Government grants and contributions in accordance with the requirements of IAS 20.

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Creditors. Where conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grants and contributions are credited to the Comprehensive Income and Expenditure Statement but they are not applied to match expenditure in year, they are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to a Revenue Grants and Contributions Reserve. Amounts in the reserve are transferred back to the General Fund in the Movement in Reserves Statement when they are required to fund future revenue expenditure.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Accounts. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Repayments of grants and contributions

A grant or contribution that becomes repayable will be charged against any receipt in advance balance held in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

o) INTANGIBLE ASSETS

Intangible assets are assets that do not have any physical substance but which the Council controls access to the future economic benefits derived from them, either through custody or legal protection. They include the purchase of computer software licences and associated implementation costs. The are accounted for under IAS 38.

Recognition

Expenditure on intangible assets is accounted for on an accruals basis and is capitalised, provided that it yields benefits to the Council and the services it provides for more than one year. The only exception to this is that items under the de-minimis level of £5,000 are not capitalised, but charged to revenue, unless they are grant funded.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet at cost less amortisation charges.

Amortisation charges

The value of Intangible Assets is amortised to the relevant service revenue account, using the straight-line method, over the 3 year life of the assets.

Impairment

Intangible Assets are reviewed for any impairment loss. Where an impairment loss has occurred, it is charged to the relevant service revenue account.

Amortisation, impairment losses and disposals gains and losses are not permitted by statute to have an impact on the General Fund Balance. These are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account. Further details can be found in note 14 to the core financial statements.

p) INTERESTS IN COMPANIES AND OTHER ENTITIES

Local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures are required to prepare summarised Group Accounts. To assess whether it needs to prepare Group Accounts, the Council has undertaken a mapping exercise to identify its interests in all companies. This exercise showed that these interests were such that Group Accounts are not required.

In the Council's own accounts, interest in companies and other entities are recorded as investments and shown at cost less any provision for losses.

q) INVENTORIES

Inventories are valued annually wherever possible in accordance with the IAS 2, at the lower of actual cost or net realisable value. However, certain stocks are valued at latest purchase price due to computerised stock systems. Further details can be found in note 16 to the core financial statements.

r) INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation and accounted for in accordance with IAS 40 The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued or reviewed annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Useable Capital Receipts Reserve. Further details can be found in note 13 to the core financial statements.

s) JOINT ARRANGEMENT NOT AN ENTITY (JANE)

A JANE is defined as a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity. Each participant in the arrangement accounts separately for its own transactions arising within the agreement including the assets, liabilities, income, expenditure and cash flows which are held or arise within the JANE.

Where it's involvement is considered material the Council's accounts include:

- its share of the jointly controlled assets
- any liabilities the Council has incurred directly
- its share or any liabilities incurred jointly with other partners
- any income from sale or use of its share output, together with its share of any expenses that it has incurred in respect of its interest in the arrangement.

t) LANDFILL ALLOWANCE TRADING SCHEME

The Landfill Allowance Trading Scheme is a "cap and trade" scheme under which the Department for Environment Food and Rural Affairs (DEFRA) allocates tradable allowances to each Waste Disposal Authority (WDA) annually up to the amount of its cap. The allowances are used to discharge the WDAs liability for the usage of Biodegradable Municipal Waste (BMW) landfill space. If the WDA exceeds this allowance, it can purchase allowances from other authorities, borrow from the following year's allowance within limits and subject to certain criteria, or pay a penalty to DEFRA.

The value of the allowances issued by DEFRA is measured initially at their fair value. This is treated as deferred income in the Balance Sheet and subsequently recognised as income in the year in which they are issued. Allowances purchased from other Waste Disposal Authorities are accounted for in the same way.

As landfill is used, a liability is recognised for actual BMW landfill usage. This liability is treated as a provision in the Balance Sheet and is discharged by using allowances to meet the liability, or by paying a penalty to DEFRA. The liability is measured at the best estimate of the expenditure required to meet the obligation at the balance sheet date. This is normally the present market price at the balance sheet date of the number of allowances needed to cover actual BMW landfill usage for the year. However, if any part of the obligation is to be met by paying a cash penalty to DEFRA, that part of the liability is measured at the cost of the penalty rather than at the market price of the relevant number of allowances.

At the Balance Sheet date, the value of unused allowances is remeasured at the lower of cost and net realisable value.

Further details can be found in note 45 to the core financial statements.

u) LEASES

The Council's leases have been accounted for in accordance with the requirements of IAS 17. Details can be found in note 37 to the core financial statements.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the financing of the capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.
The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The money received by the Council for any arrangement in existence at 31 March 2010 which has been reclassified (Operating to Finance) will be accounted for in accordance with proper practices applying to that arrangement at 31 March 2010 in line with the Capital Finance & Accounting (Amendment) Regulations 2010.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The money received by the Council for any arrangement in existence at 31 March 2010 which has been reclassified (Finance to Operating) will be accounted for in accordance with proper practices applying to that arrangement at 31 March 2010 in line with the Capital Finance & Accounting (Amendment) Regulations 2010.

v) NATIONAL NON-DOMESTIC RATES

NNDR collected on behalf of the government is in substance an agency arrangement and is accounted for accordingly. All amounts collectable are treated as being payable to the

government, apart from an allowance to cover the cost of collection, which is credited to the Income and Expenditure Account. The Balance Sheet includes a debtor/creditor in respect of the amount owed by/to the government. It does not recognise NNDR arrears or any impairment for doubtful debts in its Balance Sheet, these being consolidated into the debtor/creditor with the government.

w) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are those where it is probable that the carrying amount will be recovered through a sale transaction rather than continuing use, in accordance with FRS5. These assets are available for an immediate sale in their present condition and are being actively marketed. The sale is likely to complete within one year.

Assets held for sale are measured at the lower of carrying amount and fair value less cost to sell. Properties are not depreciated in this category.

When an asset is disposed of the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of gains and losses. (Netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not permitted by statutory arrangements to have an impact in the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Useable Capital Receipts Reserve.
Further details can be found in note 19 to the core financial statements.

x) OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

y) PRIVATE FINANCE INITIATIVES

- **Street Lighting**

The Council's Private Finance Initiative Street Lighting contract has been accounted for in accordance with the requirements of IFRIC 12 Service Concession Arrangements.

PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI Scheme and as ownership of the non-current assets will pass to the council at the end of the contracts for no additional charge, the council carries the non-current assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

Once non-current assets are recognised on the Balance Sheet, they are brought fully within the scope of capital accounting. Non-current assets are depreciated, revalued and reviewed for impairment, in the same way as property, plant and equipment owned by the Council.

The Council has initially recognised the asset at fair value (cost based on the purchase of the property, plant and equipment). The fair value of the asset was used in the initial measurement of both the asset and liability. Depreciation has been applied to this initial value on a straight-line basis, using the 40 year life for the street lighting assets specified in the contract.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost - an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI Operator (the profile of write-downs is calculated using the same principles as for the finance lease)
- Lifecycle replacement costs – recognised as non-current assets on the Balance Sheet, charging the costs to unitary payment when they are incurred in future years.

Further information giving full details of the Street Lighting PFI transactions, is included in note 38 to the Core Financial Statements.

- **Municipal Waste Management**
  The Council is in the process of developing a PFI scheme as part of implementing its Municipal Waste Management Strategy, for which development costs have been incurred. These have been charged to the revenue account. The procurement process had not been concluded at 31st March 2011, so there are no accounting implications for 2010/11.

z) PROPERTY,PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment, in accordance with IAS16..

Recognition

Expenditure on the acquisition, creation or enhancement of tangible non-current assets is capitalised on an accruals basis, provided that it yields benefits to the Council, and the services it provides, for more than one year. The only exception to this is that, for certain types of assets, items under a de minimis level of £5,000 are not capitalised, but charged to revenue, unless they are grant funded. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure on Non-current Assets that is capitalised is recognised on the Council's Asset Register and Balance Sheet and depreciated over the useful life of the asset. From 1 April 2009 in respect of items of Plant and Equipment certain assets are removed from the Asset Register and Balance Sheet in the year following their Net Book Value becoming nil.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years, also some changes to asset valuations are made in the interim period following completion of the scheme where expenditure is in excess of £75,000. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, the accounting treatment is:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, the accounting treatment is:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation has been provided for using the straight-line method on Land and Buildings (excluding non-depreciable land and non-operational investment properties), Vehicles, Plant and Equipment and Infrastructure. The useful lives of the various assets held on the Asset Register are as follows:

- vehicles, plant and equipment up to 30 years
- schools up to 70 years
- libraries and administration offices up to 100 years
- car parks up to 999 years
- farms, golf clubs, cemeteries and markets up to 70 years
- infrastructure asset up to 40 years
- all other significant properties up to 100 years
- the majority of land assets have a life expectancy of 999 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Further details can be found in note 12 to the core financial statements.

aa) <u>PROVISIONS</u>

Provisions are recognised in the accounts in accordance with IAS 37, where:

- The Council has a present obligation (legal or constructive) as a result of a past event,
- It is probable that a transfer of economic benefits will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation,

and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.
Further details can be found in note 21 to the core financial statements.

bb) PROVISION FOR BAD AND DOUBTFUL DEBTS

The carrying amount of debtors has been adjusted for doubtful debts. This has been done by analysing the age of debt and using past experience to assess the amount of debt likely to be uncollected, based on perceived risks and taking into account the current economic climate. Significant debts have been assessed individually. Other debts and those assessed individually but found to require no specific provision, have been assessed collectively in groups based on similar risks. Debts which have been determined as uncollectable have been written off in full. Details of provisions for bad and doubtful debts can be found in note 17 to the core financial statements.

cc) RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant accounting policies. See note 23 to the core financial statements for further details.

dd) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council

has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no net impact on the level of council tax.

Grants received in year and used to finance Revenue Funded from Capital Under Statute are credited to the specific service line in the Comprehensive Income and Expenditure Statement. Unconditional grants received in prior years and used to fund REFCUS will already have been credited to the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement in the year of receipt. These grants will show as a credit in the Capital Grants Unapplied Account. When used for financing they will be credited to the Capital Adjustment Account.

Conditional grants received in year or prior years will show as credits in the Capital Grants Receipts in Advance and when conditions are met and utilised for financing are credited to the specific service line in the Comprehensive Income and Expenditure statement.

ee) TAXATION

Local authorities are exempt from Income, Corporation and Capital Gains Taxes. Income and Expenditure normally excludes amounts relating to Value Added Tax (VAT), as VAT collected is payable to HM Revenue and Customs and VAT paid is normally recoverable from them. Exceptionally, if VAT is irrecoverable, it is charged to service revenue expenditure or capital expenditure as appropriate.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting 2011/12 has adopted Financial Reporting Standard 30 – Heritage Assets which means there will be a change in accounting policy in relation to the treatment of heritage assets held by the Council, this will need to be fully adopted by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of the new standard that has been issued, but is not yet required to be adopted by the Council, in this case heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. The new standard will require that a new class of asset , heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements. Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are mainly the collection of artworks, sculptures and artefacts either exhibited or stored in the Hepworth and other museums in the district, in addition there are castles and civic regalia.

The art/museums collection and civic regalia are not currently recognised in the financial statements. The castles are included as community assets.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Council is able to recognise more of its collections of heritage assets in the Balance Sheet. The Council anticipates that it will be able to recognise the majority of its arts collections using the detailed insurance valuations obtained in preparation for the Hepworth opening. In total, including museums collections, civic regalia and other artwork we have a current insurance valuation of £32.238m. It is anticipated that in 2011/12 this figure will be recognised as a gain in the revaluation reserve. In addition it is anticipated the £0.086m value of the castles etc will be re-categorised from community assets to heritage assets.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation in the financial statements in relation to these heritage assets.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Leasing

The Council reviewed all significant leases under IFRS restatement and reclassified an operating lease for Land as a finance lease. The accounting policy (u) for leases has been applied to the lease, the land (valued at £6.675m at 1.4.09) has been taken off the Council's balance sheet and replaced with a Long Term Debtor and Deferred Capital Receipt (valued at £7.385m at 31.3.11).

Componentisation

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. Following the council's accounting policy (f) which defines a significant component as an item with a value greater than 10% of the total asset value, the result is no asset has been identified for componentisation.

Grants and Contributions

The Council's review of its grants and contributions per the council's accounting policy (n) has resulted in a significant proportion being credited to the Comprehensive Income and Expenditure Statement having determined that there was reasonable assurance that the council had met the conditions of those grants and contributions. Where monies were not applied to match expenditure they were transferred out of the Movement in Reserves Statement and to the Revenue or Capital Grants & Contributions Unapplied Reserve

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on either assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year areas follows:

ITEM	UNCERTAINTIES	EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS
Property, Plant and Equipment and infrastructure assets	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain this level of spending on repairs and maintenance, which may impact on the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for land and buildings would increase by £851k for every year that useful lives had to be reduced, and by £167k for infrastructure assets.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, expected returns on pension assets and the discount rates used to bring future assumptions to present values. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £107.43m However, the assumptions interact in complex ways which could produce a range of different results depending on the mix of changed assumptions.
Arrears/Bad debts provision	Due to the uncertainties in the current economic climate, it is not certain that allowances we have included will remain sufficient. At 31 March 2011, the Council had a balance of sundry debtors of £12.7m. A review of significant balances suggested that an impairment for doubtful debts of 19% (£2.37m) was appropriate. The balance outstanding on Council Tax debts was £15.4m with a provision for doubtful debts of 15.6% (£2.4m). The provision for housing benefits currently stands at 85% (£3.1m) of outstanding debts.	 If collection rates on sundry debtors were to deteriorate, a 5% worsening in collection would require an additional £637k to be set aside as an allowance. A 5% increase in the Council Tax provision would require an extra £771k to be set aside as an allowance. A 5% increase in the housing benefits provision would require an additional set aside of £185k.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

During 2010/11 there have been several material items of income/expenses that have been reflected in this Statement of Accounts, the main ones are;

- The Chancellor announced in his Emergency budget on 22 June 2010 that, from 1 April 2011 increases to Public Sector pensions would be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), as a result of this there has been a reduction in the defined benefit obligation on the balance sheet. The impact of the change to CPI of £168.6m is a benefit change and therefore recognised as a (negative) past service cost reflecting the reduction in the obligation– this has been shown within the Non-distributed cost line within the Comprehensive Income and Expenditure statement. Further valuations including changes in the actuarial assumptions have also identified gains of £193.8m, overall this has resulted in a change in the pensions liability figure shown on the balance sheet of £346.5m – further details can be found in Note 41

- The Pontefract pyramid of schools heading by Kings High School and Carleton High School have became a trust on 1/3/11, as a result the land and buildings assets with a value of £32.881m have been transferred to the Trust and removed from the Council's balance sheet.

- During 2010/11 construction began on the new building within the Merchant Gate development which will be utilised by the Council primarily to deliver a comprehensive customer services centre and to house other Council staff in order to rationalise the property portfolio, in 2010/11 £12.162 was spent and the project is due to be completed in 2012.

- The Council incurred £7.3m of costs associated with redundancy and early retirements as part of actions taken to deliver recurring budget savings. The Council also paid £5.59m to West Yorkshire Pension Fund to settle the remaining liabilities to the fund of previous years early retirements which were being funded by the Council over a 5 year period.

6. EVENTS AFTER THE BALANCE SHEET DATE

Under IAS 10 we need to disclose any events which concerned conditions that did not exist at the Balance Sheet date and that occurred after the Balance Sheet date but before the date on which the Statement of Accounts were authorised for issue. The Statement of Accounts was authorised for issue by the Director of Finance and Property on 30th June 2011, there are three events to disclose.

- On 21st May 2011 the Hepworth opened and on that date the gallery and car park were leased to the Hepworth Trust under peppercorn leases.
- On 6 June 2011 construction began on the new pool and facilities to be known as Wakefield One, it is anticipated that it will open Summer 2012, the estimated cost of the total scheme is £10m
- On 1st April 2011 two high schools, Airedale High School and Castleford High School became Academies and moved out of Local Authority control. Their assets will be removed from the Council's Balance Sheet in 2011/12 and replaced with peppercorn leases.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2009/10					2010/11			
Useable Reserves					Useable Reserves			
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	**Adjustment Between Accounting Basis and Funding Basis Under Regulation**	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unuseable Reserves
				Adjustments primarily involving the Capital Adjustment Account				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
(32,816)			32,816	Charges for depreciation and impairment of non-current assets	(33,032)			33,032
(4,833)			4,833	Revaluation losses on Property Plant and Equipment	(12,968)			12,968
6			(6)	Movements in the market value of Investment Properties	(2,221)			2,221
(1,630)			1,630	Movement in value of held for sale assets	(2,495)			2,495
(1,006)			1,006	Amortisation of intangible assets	(950)			950
33,781			(33,781)	Capital grants and contributions applied	21,054			(21,054)
(1,765)			1,765	Revenue expenditure funded from capital under statute	(5,589)			5,589
(7,074)			7,074	Amount of non-current asset assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(35,359)			35,359
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
14,372			(14,372)	Statutory provision for the financing of capital investment	9,136			(9,136)
802			(802)	Statutory override in respect of leases under IFRS	576			(576)
2,860			(2,860)	Capital expenditure charged against the General Fund	1,751			(1,751)
				Adjustments primarily involving the Capital Grants Unapplied Account:				
				Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement				
		11,634	(11,634)	Application of grants to capital financing transferred to the Capital Adjustment Account			16,410	(16,410)
				Adjustments primarily involving the Capital Receipts Reserve:				
12,136	(12,136)			Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	8,877	(8,877)		-
	8,468		(8,468)	Use of the Capital Receipts Reserve to finance new capital expenditure		10,334		(10,334)
(45)	45			Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(73)	73		
480	(2,010)		1,530	Transfer from Deferred Capital Receipts Reserve upon receipt of cash				
				Adjustments primarily involving the Deferred Capital Receipts Reserve				
(528)			528	Statutory override in respect of leases under IFRS	(683)			683
(640)			640	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(311)			311
				Adjustment primarily involving the Financial Instruments Adjustment Account:				
118			(118)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,508			(2,508)
				Adjustments primarily involving the Pensions Reserve:				
(49,971)			49,971	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	114,767			(114,767)
31,483			(31,483)	Employer's pensions contributions and direct payments to pensioners payable in year	37,941			(37,941)
				Adjustments primarily involving the Collection Fund Adjustment Account:				
877			(877)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	112			(112)
				Adjustment primarily involving the Accumulated Absences Account:				
(1,060)			1,060	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	538			(538)
(4,453)	(5,633)	11,634	(1,548)	**Total Adjustments**	103,579	1,530	16,410	(121,519)

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General fund in earmarked reserves to provide financing for future expenditure plans and the amounts transferred from earmarked reserves to meet General Fund expenditure in 2010/11.

Transfer to/from Earmarked Reserves	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Note
Balances held by schools under a scheme of delegation	14,956	(10,066)	4,965	9,855	(3,286)	5,804	12,373	I)
Invest to Save Reserve	7,228	-	-	7,228	(3,086)	15,266	19,408	II)
Single Status Reserve	6,847	(2,469)	8,300	12,678	(12,678)	-	-	II)
Capital Expenditure Reserve	10,820	(828)	1,211	11,203	(2,035)	4,038	13,206	III)
Street Lighting PFI	3,090	-	15	3,105	-	103	3,208	IV)
Street Lighting MRP	4,998	(4,998)	-	-	-	-	-	V)
Performance Reward Grant	-	(84)	3,298	3,214	(3,214)	443	443	VI)
Earmarked Revenue Grants / Contributions	7,518	(5,645)	7,309	9,182	(5,759)	9,391	12,814	VII)
Other Earmarked Reserves	8,770	(512)	3,966	12,224	(1,573)	7,116	17,767	VIII)
TOTAL	**64,227**	**(24,602)**	**29,064**	**68,689**	**(31,631)**	**42,161**	**79,219**	

I) School Balances

School balances are held in accordance with the Education Reform Act 1988, in which the scheme for the management of school budgets provides the carry forward of individual school balances (both over and under spending). These balances are to be spent or replenished by individual schools. A net under spend of £13.785m relates to individual school balances (Deficits £0.653m, Surpluses £14.438m) and £1.412m relates to overcommitted Dedicated Schools Grant.

School Reserves	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
School Balances (DSG element)	1,419	(2,787)	903	(465)	(1,014)	67	(1,412)
School Balances (ISB)	13,538	(2,315)	(903)	10,320	(2,272)	5,737	13,785
TOTAL	**14,957**	**(5,102)**	**-**	**9,855**	**(3,286)**	**5,804**	**12,373**

II) Invest to Save/Single Status Reserve

These reserves have been combined. This is required to meet anticipated severance costs from delivering budget savings across the Spending Review period. The reserve will also need to cover any future years Single Status costs which may arise.

III) Capital Expenditure Reserve

The Capital Expenditure Reserve is earmarked to support resourcing of the Council's capital programme.

IV) Street Lighting Private Finance Initiative (PFI)

The profile of PFI revenue grants received by the Council for Street Lighting is different to the profile of contract payments to Amey. The earmarked reserve sets aside excess grant payment in early years of the contract to ensure that funds are available to meet contract payments in later years.

V) Street Lighting PFI MRP

Due to accounting changes required in 2009/10 in relation to PFI's this reserve was created to account for the restatement adjustment required to provide for MRP on contracts that came back onto the Balance Sheet, this reserve was fully applied in 2009/10 and it will no longer be required from 2010/11 onwards.

VI) Performance Reward Grant

The balance on this reserve is to fund the remainder of the Local Strategic Partnership Programme in 2011/12.

VII) Earmarked Revenue Grants/Contributions

The balance on this reserve is grants and contributions that have been received but have not yet been utilised as at 31 March.

VIII) Other Earmarked Reserves

Other Earmarked Reserves are earmarked to provide support to specific initiatives or activities. During the year a net transfer of £5.543m into earmarked reserves has been made mainly in respect of Waste PFI, Treasury Management and Family Service.

9. OTHER OPERATING EXPENDITURE AND INCOME

2009/10 £000	Other Operating Expenditure and Income	2010/11 £000	Notes
2,100	Parish council precepts	2,211	
45	Payments to the Government Housing Capital Receipts Pool	73	
2,788	(Gain) / Loss on disposal of non current assets	32,583	I
(1,630)	Movement in value of held for sale assets	2,495	
(7,115)	Unattached Capital Receipts	(5,876)	II
(3,812)	**Total**	**31,486**	

I) Note 12 gives details of loss on disposal of non current assets.

II) Unattached capital receipts relates mainly to income in respect of the Council's share of the preserved right-to-buy agreement (£0.986m) and receipts from the VAT shelter agreement (£4.9m) both with Wakefield District Housing.

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000	Financing and Investment Income and Expenditure	2010/11 £000	Disclosure Note
10,608	Interest payable on debt	10,694	15
1,756	Interest element of Street Lighting PFI unitary payment	2,098	15
412	Premium on early repayment of debt	55	
1,062	Impairment of financial instruments	(608)	15
73,749	Pensions interest costs	83,347	41
(44,928)	Expected return on pension assets	(65,875)	41
(2,051)	Investment Interest Income	(1,064)	15
(1,770)	Interest received on finance leases (lessor)	(1,163)	
(404)	Discount for early repayment of debt	-	
(953)	Rentals received on investment properties	(813)	13
573	Expenses incurred on investment properties	582	13
(5)	Changes in fair value of investment properties	2,221	13
(94)	Gains/loss on disposal of investment properties	87	
678	Trading Accounts	13,416	
38,633	**Total**	**42,977**	

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10 £000	Taxation and Non Specific Grant Incomes	2010/11 £000	Notes
(110,499)	Council tax income	(113,012)	
(111,368)	Non domestic rates	(123,325)	I
(25,705)	Revenue Support Grant	(17,908)	I
(940)	Private Finance Initiative Grant	(1,092)	
(20,567)	Non-ringfenced government grants	(19,594)	
(60,626)	Capital grants and contributions	(32,778)	II
(329,705)	**Total**	**(307,709)**	

I. For comparison purposes Non domestic rates and Revenue Support Grant form a single source of local government finance and as such should be combined to give a proper year on year comparison. (Combined income 09/10 £137m compared to £141m in 10/11).

II. Capital Grants and contributions are those monies which have been credited to the Comprehensive Income and Expenditure Statement in line with the council's accounting policy (n) having determined that there was reasonable assurance conditions of those grants and contributions had been met.

12. PROPERTY, PLANT AND EQUIPMENT

	2009/10						
Property, Plant and Equipment	Land and Buildings £000	Vehicles, Plants, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valauation							
At 1st April 2009	499,735	58,262	207,590	6,346	769	63,647	836,349
Additions	6,327	6,534	27,180	5,145	1,569	20,975	67,730
Accumulated Depreciation & Impairment write out to gross carrying amount	(15,007)	-	-	(96)	-	-	(15,103)
Revalution increases / (decreases) recognised in the Revaluation Reserve	45,145	-	-	192	19	-	45,356
Revalution increases / (decreases) recongised in the Surplus/Deficit on the Provision of Service	(3,725)		-	-	(1,108)	-	(4,833)
Derecognition - Disposals	(2,509)	(11,565)	-	(2)	-	-	(14,076)
Derecognition - Other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(1,983)	-	-	-	-	-	(1,983)
Assets reclassified (to)/from Investment Property	4	-	-		-	-	4
Other movements in Cost or Valuation	2,374	-	19,084	12,581	-	(34,978)	(939)
At 31st March	530,361	53,231	253,854	24,166	1,249	49,644	912,505
Accumulated Depreciation & Impairment							
At 1st April	(43,466)	(29,000)	(29,513)	(230)	-	-	(102,209)
Depreciation Charge in year	(15,129)	(8,259)	(5,176)	-	-	-	(28,564)
Accumulated Depreciation write out to gross carrying amount	12,224	-	-	68	-	-	12,292
Accumulated Impairment write out to gross carrying amount	2,782	-	-	27	-	-	2,809
Impairment Losses / (Reversals) recognised in the Revaluation Reserve	(1,346)	-	-	-	-	-	(1,346)
Impairment Losses / (Reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,087)	-	-	-	-	-	(3,087)
Derecognition - Disposals	353	11,247	-	-	-	-	11,600
Derecognition - Other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	128	-	-	-	-	-	128
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-
Other Movements in Depreciation and Impairment	(135)	-	-	135	-		-
At 31st March 2010	(47,676)	(26,012)	(34,689)	-	-	-	(108,377)
Net Book Value							
At 31st March 2010	482,685	27,219	219,165	24,166	1,249	49,644	804,128
At 31st March 2009	456,269	29,262	178,077	6,116	769	63,647	734,140
Nature of asset holding							
Owned	482,685	27,219	189,460	24,166	1,249	49,644	774,423
Finance Lease							
PFI			29,705				29,705
Total	**482,685**	**27,219**	**219,165**	**24,031**	**1,384**	**49,644**	**804,128**

	2010/11						
Property, Plant and Equipment	Land and Buildings £000	Vehicles, Plants, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valauation							
At 1st April 2010	530,361	53,231	253,854	24,166	1,249	49,645	912,506
Additions	9,807	5,951	18,101	1,295	465	20,844	56,463
Accumulated Depreciation & Impairment write out to gross carrying amount	(15,473)	-	-	-	-	-	(15,473)
Revalution increases / (decreases) recognised in the Revaluation Reserve	13,834	-	-	-	6	-	13,840
Revalution increases / (decreases) recongised in the Surplus/Deficit on the Provision of Service	(12,552)	-	-	-	(416)	-	(12,968)
Derecognition - Disposals	(36,649)	(3,762)	-	-	-	(3,586)	(43,997)
Derecognition - Other	-	-	-	-	-	(1,696)	(1,696)
Assets reclassified (to)/from Held for Sale	(3,177)	-	-	(1)	-	-	(3,178)
Assets reclassified (to)/from Investment Property	(280)	-	-	-	-	(381)	(661)
Other movements in Cost or Valuation	6,069	190	487	11	-	(6,757)	-
At 31st March	491,940	55,610	272,442	25,471	1,304	58,069	904,836
Accumulated Depreciation & Impairment							
At 1st April	(47,676)	(26,012)	(34,689)	-	-	-	(108,377)
Depreciation Charge in year	(14,649)	(8,152)	(6,335)	-	-	-	(29,136)
Accumulated Depreciation write out to gross carrying amount	12,052	-	-	-	-	-	12,052
Accumulated Impairment write out to gross carrying amount	3,421	-	-	-	-	-	3,421
Impairment Losses / (Reversals) recognised in the Revaluation Reserve	(1,401)	-	-	-	-	-	(1,401)
Impairment Losses / (Reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,896)	-	-	-	-	-	(3,896)
Derecognition - Disposals	7,354	3,741	-	-	-	-	11,095
Derecognition - Other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	93	-	-	-	-	-	93
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-
Other Movements in Depreciation and Impairment	-	-	-	-	-	-	-
At 31st March 2011	(44,702)	(30,423)	(41,024)	-	-	-	(116,149)
Net Book Value							
At 31st March 2011	447,238	25,187	231,418	25,471	1,304	58,069	788,687
At 31st March 2010	482,685	27,219	219,165	24,166	1,249	49,644	804,128
Nature of asset holding							
Owned	446,731	25,187	202,536	25,471	1,304	58,069	759,298
Finance Lease	507						507
PFI			28,880				28,880
Total	**447,238**	**25,187**	**231,418**	**25,471**	**1,304**	**58,069**	**788,687**

The above tables show the changes in the value of Property, Plant and Equipment in the year as a result of acquisitions, revaluations, reclassifications, disposals, depreciation and impairment.

Additions

- Assets under Construction includes the acquisition of land and building costs of the Westgate Office (£12.161m), a new Adult Education Centre (£2.4m), Hepworth costs (£2.1m) and the Rabbit Ings Development (£1.8m)
- Infrastructure assets includes £6.1m relating to exceptional maintenance schemes to correct defective road surface material.
- Land and Buildings includes £5.142m on Schools and £3.54m of Family Services schemes. In addition £1.995m was spent on Schools Plant, Vehicles and Equipment.

Disposals

- 2010/11 has seen a high value of asset disposals. This is mainly due to the transfer of a number of schools in the Pontefract area to a school trust, £29.295m on land and buildings and £3.586m on assets under construction.

- Vehicles, Plant and Equipment figures include the writing out from the Council's Asset Register and Balance Sheet of the gross carrying amount of certain assets (£2.859m) where the net book value was nil as at 31 March 2010 as referred to in Accounting Policy (z).

Revaluation increases/decreases

- The figure for revaluation increases/decreases consists of a number of items, the largest revaluation decreases relate to £2.718m on Sandal Magna J & I school and £2.5m on various buildings at Woolley Hall**.**

During 2010/11, Wakefield City High School changed status from a Trust School to an Academy. On conversion to an Academy the ownership of the Land and Buildings transferred back to the Council but control transferred to the Academy under a peppercorn lease arrangement. As a result the Land and Buildings have been put back on the Council's Asset register at nil value.

Major Capital Commitments

The Council has entered into a number of contracts for future capital investment. The following are those contractual commitments that are in excess of £2m over the period 2011/12 to 2013/14:

Scheme details	Total '£000	2011/12 £000	2012/13 £000	2013/14 £000
Westgate office Development Agreement	12,562	12,122	440	0
Carleton High School- Rebuild	8,220	6,500	1,595	125
Total	20,782	18,622	2,035	125

The level of similar commitments at 31 March 2011 was £7.4m.

The asset which results from the Carleton High School rebuild will transfer to Pontefract Education Trust upon completion.

Revaluations

The Council carries out a rolling programme that ensures that all Land and Buildings are measured at fair value and are revalued at least every five years. All valuations are carried out by the Council's Property and Asset Management service. Valuations of Land and Buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, Plant, Equipment, Community Assets, and Infrastructure assets have been included on the Asset Register at their historic cost as a proxy for current value.

The Responsible Officer for valuations for the Council was Mark Wheater, MRICS, Service Manager, Property and Asset Management, who is the Council's officer responsible for all land and buildings held on the Asset Register.

The table summarises when the most recent valuations were carried out in each asset category, showing the progress of the Council's rolling five year programme for revaluation.

Non-Current Assets	Land and buildings £ 000	Vehicles, Plant, Furniture and Equipment £ 000	Infrastructure Assets £ 000	Community Assets £ 000	Assets Under Construction £ 000	Surplus Assets £ 000	Total £ 000
Carried at historical cost		25,187	231,418	25,471	58,069	1,304	341,449
Valued at fair value as at:							
2006/07	64,985						64,985
2007/08	58,019						58,019
2008/09	91,944						91,944
2009/10	132,173						132,173
2010/11	100,117						100,117
Total Cost or Valuation	447,238	25,187	231,418	25,471	58,069	1,304	788,687

13. INVESTMENT PROPERTIES

Investment properties are accounted for in line with IAS40 and IPSAS16 – this defines an investment property as one that is used solely to earn rentals or for capital appreciation or both.

The following items of income and expenses have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no Contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in fair value of investment properties over the year:

Investment Properties	**2009/10** £000	**2010/11** £000
Rental income from investment property	953	813
Direct operating expenses arising from investment property	(573)	(582)
Net gain / (loss)	**380**	**231**

Investment Properties	**2009/10** £000	**2010/11** £000	**Notes**
Cost or Valuation			
Balance at Start of Year	41,132	39,977	
Additions and Enhancements	250	3,804	I
Net gains / losses from fair value adjustments	5	(2,221)	II
Disposals	(2,618)	(865)	
Transfers:			
From Held for Sale	273	3,028	III
To / from Property, Plant and Equipment	935	661	
Other Changes		-	
At 31st March	**39,977**	**44,384**	
Nature of asset holding			
Owned	39,977	44,314	
Finance Lease		70	
	39,977	44,384	

I. In 2010/11 £3.575m of additions related to the acquisition of a lease of offices at Navigation Walk, Waterfront.

II. The overall movement £2.221m is due to the of the revaluation of Investment properties. A transfer from assets held for sale to investment properties has been undertaken on the former Flanshaw complex. This site is not expected to be sold until 2013/14 at the earliest.

14. INTANGIBLE ASSETS

Intangible fixed assets are assets that do not have any physical substance but which the Council controls access to the future economic benefits either through custody or legal protection. See Accounting Policy (o) for further information.

The Code requires the Council to separately identify and account for intangible fixed assets. These assets are depreciated in line with Council policy commencing in the year following the acquisition of the assets. The table below shows the movement of intangible non-current assets:

2009/10 £000	Intangible Assets	2010/11 £000
	Balance at start of year:	
7,240	Gross carrying amounts	8,053
(5,361)	Accumulated amortisation	(6,367)
1,879	**Net carrying amount at start of year**	**1,686**
813	Purchases in year	540
(1,006)	Amortisation in year	(950)
1,686	**Net carrying amount at end of year**	**1,276**
	Comprising:	
8,053	Gross Carrying Amount	8,593
(6,367)	Accumulated Amortisation	(7,317)
1,686	**Net carrying amount at end of year**	1,276

15. FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instrument:

Table 1 Financial Instruments	Long-term		Current	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Investments				
This is actual value of the loan, not arising from any adjustment				
Loans and receivables (principal amount)	13,908	17,908	44,814	58,270
Loans and receivables	10,822	12,595	42,795	54,661
Cash Equivalent	-	-	4,450	8,350
Available-for-sale financial assets	452	500	-	-
Total	11,274	13,095		
Financial assets at fair value through profit and loss	635	182	-	177
Total investments	**11,909**	**13,277**	**-**	**177**
Debtors				
Loans and receivables				
House Purchase and Improvement Loans	77	44		
Loans to Other authorities & Bodies	19,950	19,124		
Loans to Employees	499	212		
Finance Leases	7,385	6,651		
Relocation / Mortgage Assistance Loans	1,445	1,776		
Financial assets carried at contract amounts			67,858	49,593
Total Debtors	**29,356**	**27,807**	**67,858**	**49,593**
Borrowings				
This is actual value of the loan, not arising from any adjustment				
Financial liabilties (principal amount)	200,467	200,217	68	66
Financial liabilities at amortised cost	201,006	200,744	1,105	1,104
Financial liabilities at fair value through profit and loss				
Total borrowings	**201,006**	**200,744**	**1,105**	**1,104**
Other Long Term Liabilities				
Private Finance Initiatives	19,562	18,975	539	586
Welbeck	6,489	5,874		
Total other long term liabilities	**26,051**	**24,849**	**539**	**586**
Creditors				
Liabilities Under Leases	4	-		
Former West Yorkshire Waste Management Joint Committee	1,462	1,097		
Former West Yorkshire Magistrates Court & Probation Services	233	79		
Financial liabilities carried at contract amount			55,877	63,000
Total creditors	**1,699**	**1,176**	**55,877**	**63,000**

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

Deferred Liabilities

These are amounts due for payment over a period of more than one year

	Deferred Liabilities		
1,462	Former West Yorkshire Waste Management Joint Committee	1,097	I
6,489	Welbeck	5,874	II
233	Former West Yorkshire Magistrates Court and Probation Service	79	III
19,561	Private Finance Initiative	18,975	IV
4	Liabilities under Leases	-	
27,749	**Total Deferred Liabilites**	**26,025**	

I. Former West Yorkshire Waste Management Joint Committee.

This figure represents the amount due for payment to the other West Yorkshire Metropolitan District Councils in respect of the former West Yorkshire Waste Management Joint Committee. This is being repaid to the other Councils over a period of fifteen years commencing 1 April 2000. The amount outstanding at 31 March 2011 is £1.462m, which is being repaid at £0.365m per annum. The amount to be repaid in 2011/12 is included in creditors and £1.097m represents the amount due after 1 April 2012

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II. Welbeck Landfill Site

This figure represents the amount due for payment to Leeds City Council in respect of a rent sharing agreement relating to a finance lease between the Council and the Welbeck Waste Recycling Group, based on the assumption that the Council continues to receive payments from WRG in accordance with the lease. The amount to be repaid in 2011/12 is included in creditors and the amount of £5.874m represents the amount due after 1 April 2012.

III. Former West Yorkshire Magistrates Court and Probation Services

This figure represents the amount due for payment to Leeds City Council and Bradford Metropolitan District Council in respect of the Council's share of the debt relating to the former West Yorkshire Magistrates Court and Probation Services that is due after 1 April 2012.

IV This relates to the street lighting PFI, note 38 gives further details.

Long Term Debtors

These are debts that fall due over a period of more than one year

	31 March 2010 £000	31 March 2011 £000	Note
House Purchase and Improvement Loans	77	44	I
Loans to Other Authorities & Bodies	19,950	19,124	II
Loans to Employees	499	212	III
Relocation / Mortgage Assistance Loans	1,445	1,776	IV
Welbeck	7,385	6,651	V
Sale of land - Ackton Pastures	635	182	VI
Total	**29,991**	**27,989**	

I. These are mortgages relating to former Council Houses.

II. The loans to other authorities and bodies includes £18.1m which represents assets transferred in respect of the former West Yorkshire Waste Management Joint Committee.

III. These are car loans to employees and the balance of bridging loans given to employees when they transferred from weekly pay to monthly pay.

IV. This represents Housing Relocation Loans and Mortgage Rescue Scheme loans (marketed as Breathing Space) provided to citizens. In respect of relocation loans a legal charge is placed on the property and the loan is repaid when the property is sold. The Mortgage Rescue Scheme loans are repaid either over the life of the loan or at the end of the three year period.

V. Welbeck- This figure represents the remaining amount receivable from the Welbeck Waste Recycling Group in respect of a 35 year finance lease which commenced in November 1998.

VI. Land at Ackton Pastures is being sold for housing development phased over several years. The agreement provides for land to be sold in tranches for the market price at the date of development.

Table 2

Interest payable and receivable recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments is made up as follows:

Income, Expense, Gains and Losses						
2009/10				2010/11		
Financial Liabilities Measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000		Financial Liabilities Measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
(12,364)	-	(12,364)	Interest expense	(12,792)	-	(12,792)
	(1,062)	(1,062)	Impairment losses/gains		608	608
(12,364)	**(1,062)**	**(13,426)**	**Total expense in Surplus or Deficit on the Provision of Services**	**(12,792)**	**608**	**(12,184)**
-	2,051	2,051	Interest income	-	1,064	1,064
-	**2,051**	**2,051**	**Total income in Surplus or Deficit on the Provision of Services**	**-**	**1,064**	**1,064**
(12,364)	**989**	**(11,375)**	**Net position for the year**	**(12,792)**	**1,672**	**(11,120)**

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- Impairment has been recognised for deposits held with Icelandic banks;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

Disclosures have not been made where the carrying amount is a reasonable approximation of fair value and the tables below do not include Trade Creditors, Trade Debtors and other longer term payables and receivables.

The fair values calculated are as follows:

Table 3

	31 March 2010			31 March 2011	
Total Financial liabilities	**Carrying amount £000**	**Fair value £000**		**Carrying amount £000**	**Fair value £000**
PWLB debt	140,482	167,998		140,424	172,559
Non-PWLB debt	61,629	69,244		61,424	70,350
Total debt	202,111	237,242		201,848	242,909
Total	**202,111**	**237,242**		**201,848**	**242,909**

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Table 4

	31 March 2010			31 March 2011	
Total Loans and receivables	**Carrying amount £000**	**Fair value £000**		**Carrying amount £000**	**Fair value £000**
Money market loans <1 year	47,245	47,245		63,011	63,011
Money market loans > 1 year	11,274	12,278		13,095	13,118
Total	**58,519**	**59,523**		**76,106**	**76,129**

The differences are attributable to fixed interest instruments payable being held by the Council whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to rates applicable in the market on the date of valuation and for an instrument with the same duration i.e. equal to the outstanding period from the valuation date to maturity and with the structure and terms of the comparable instrument being the same or similar. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is considered to be immaterial.

Soft Loans

Following a review of the Soft Loans made in accordance with Accounting Policy (m) no adjustments have been made to the Income and Expenditure Account on the basis that the impact is not material.

16. INVENTORIES

2009/10				2010/11		
Consumable Stores	Maintenance Materials	Total	Inventories	Consumable Stores	Maintenance Materials	Total
869	61	930	**Balance outstanding at the start of year**	844	64	908
7,500	1,665	9,165	Purchases	7,624	1,563	9,187
(7,425)	(1,662)	(9,087)	Recognised as an expense in the year	(7,384)	(1,568)	(8,952)
(121)	-	(121)	Written off balances	-	-	-
21	-	21	Reversals of write-offs in previous years	-		-
844	64	908	**Balance outstanding at year-end**	1,084	59	1,143

The reversal of write –off in 2009/10 relates to adjustments made with regard to the assessment of the value of fuel held in stock.

17. DEBTORS

Debtors represent monies owed to the Council at the Balance Sheet date, which are yet to be received as cash. The Council also makes provision for outstanding monies that it is anticipated may not be recovered. An analysis of the provisions for bad and doubtful debts is included below. The net position is shown in the balance sheet.

Debtors & Payments in Advance	**31 March 2010** £000	**31 March 2011** £000
Debtors		
Central government bodies	17,906	10,662
Other Local Authorities	1,260	3,029
NHS Bodies	1,511	686
Public Corporations and Trading Funds	-	-
Other entities and individuals	50,305	41,202
	70,982	55,579
Payments In Advance		
Central government bodies	-	33
Other Local Authorities	131	137
NHS Bodies	2	-
Public Corporations and Trading Funds	-	-
Other entities and individuals	3,745	1,952
	3,878	2,122
Provision for Bad & Doubtful Debts:		
Central government bodies	-	(5)
Other Local Authorities	(2)	-
NHS Bodies	(7)	(7)
Public Corporations and Trading Funds	-	-
Other entities and individuals	(6,993)	(7,919)
	(7,002)	(7,931)
Total	**67,858**	**49,770**

The main reasons for the reduction in the value of debtors is due to fewer capital grants being accrued in 2010/11 and Housing Benefit subsidy paid fully in year.

18. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

Cash and Cash Equivalents		
31 March 2010		**31 March 2011**
476	Cash held by the Authority	336
(12,020)	Short-term deposits with banks	(4,310)
(11,544)	**Total Cash and Cash Equivalents**	**(3,974)**

19. ASSETS HELD FOR SALE

Assets held for sale usually meet the following criteria as listed in IFRS5

- The asset is available for immediate sale in its present condition (subject to terms that are usual and customary for sales of such assets)
- The sale is highly probable
- The asset is actively marketed for sale at a price that is reasonable in relation to its fair value
- The sale is expected to be completed (in most cases) within one year

The following table shows the position as at 31 March 2011:

Assets Held for Sale	**Current**		**Non Current**		**Notes**
	2009/10 £000	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**	
Balance outstanding at Start of Year	5,760	4,600	-	-	
Property Plant and Equipent	1,854	3,084	-	-	I
Newly Acquired Assets	70	230	-	-	
Revalution Losses	(1,629)	(2,495)	-	-	II
Assets declassified as Held for Sale Investment Properties	(273)	(3,028)	-	-	III
Assets Sold	(1,182)	(1,110)	-	-	
Transfer from Current to Non-Current	-	(640)		640	IV
At 31st March	4,600	641	-	640	

I. £3.084m has been transferred to assets held for sale from Property, Plant and Equipment. These include £1.135m for Throstle Farm Junior and Infants School, £950k for Burntwood Junior and Infant School, £451k Langthwaite Grange and £206k for West Mead.

II. The revaluation loss in year has been as a result of assets transferred to assets held for sale, including Throstle Farm Junior and Infants School £1.064m, Burntwood Junior and Infants School £895k, Langthwaite Grange £311k, and West Mead £57k. (These values differ from those in the above note due to different valuation bases used for different categories of asset)

III. A transfer from assets held for sale to investment properties has taken place on the former Flanshaw comlex. This site is not expected to be sold until 2013/14 at the earliest.

IV. These are assets where sales have been agreed but due to other factors are not to be completed in 2011/12.

20. CREDITORS

Creditors represent monies owed by the Council at the Balance Sheet date, which have not yet been paid.

Creditors & Receipts in Advance	**31 March 2010** £000	**31 March 2011** £000
Creditors		
Central government bodies	773	11,742
Other Local Authorities	1,108	2,937
NHS Bodies	1,120	912
Public Corporations and Trading Funds	34	105
Other entities and individuals	37,567	40,637
	40,602	56,333
Receipts In Advance		
Central government bodies	7,198	52
Other Local Authorities	316	2
NHS Bodies	88	248
Public Corporations and Trading Funds	-	-
Other entities and individuals	7,673	6,365
	15,275	6,667
Total	**55,877**	**63,000**

The main reason for the increase in Creditor balances is due to an accrual relating to housing subsidy grant (£4.6m) and additional capital accruals (Highways and The Hepworth).

21. PROVISIONS

These are amounts set aside to provide for a liability or loss, which is likely or certain to be incurred, but the exact amount and the date on which it will arise are not currently known.

Provisions	Insurance £000	Equal Pay £000	Other £000	Total £000
1 April 2010	6,485	7,785	1,188	15,458
Additional Provisions	1,219	-	1,165	2,384
Amounts Used	-	(3,312)	(326)	(3,638)
Unused amounts reversed	-	(2,588)	(506)	(3,094)
31 March 2011	**7,704**	**1,885**	**1,521**	**11,110**
Short Term < 1 year	950	1,885	1,176	4,011
Long Term > 1 year	6,754	-	345	7,099
Total	**7,704**	**1,885**	**1,521**	**11,110**

I. Insurance Provision

The Insurance Provision covers the value of insurance claims for which the Council estimate that it has a potential liability. Employee, Fire, Public Liability and Motor third party liability claims are covered by external insurance policies, which limit the Council's maximum liability on individual claims to £0.25m (with the exception of Airedale High School where the excess for fire claims is £1m).

The limit of liability is the maximum the insurer will pay in respect of a single claim or series of claims arising out of a single incident. Should any claim exceed the limit of indemnity the Council will meet the shortfall from the insurance provision. The limits of indemnity in respect of the major policies are as follows:

- Third Party Liability (Public Liability) is £50m.
- Employers Liability is £50m
- Fire insurance is £50m for any single property

As at 31 March 2011, the Council had approximately £19.1m of insurance claims outstanding through its external insurers and estimates the cost to the Council of settling these claims will be £3.7m (based on previous claims experience). In addition there is a potential clawback of a £0.2m insurance settlement relating to industrial injury. This is pending the outcome of an appeal. Further provisions have been maintained at a prudent level in order to cover any significant variations to the estimated costs of settling claims and associated insurance receipts.

II. Equal Pay

The provision is for outstanding claims arising from offers made under the Equal Pay Act 1970 – some compensation offers are still to be made and some employees may choose to take independent employment tribunal action against the Council instead of accepting the compensation offered. As at 31 March 2011 it is anticipated that the majority of claims will be settled in 2011/12, however new claims are still being received and as the Council's liability for these is, as yet, unclear, no provision has been made for their settlement.

III. Other Provisions

There are several minor provisions included here, the main changes in 2010/11 are a new provision of £0.507m which is a provision for already agreed redundancy and associated pension costs, £0.301m has been provided for housing benefit subsidy claims. In addition all provisions have been reviewed and unused amounts relating mainly to previous years housing benefit subsidy claims have been reversed.

22. USEABLE RESERVES

31 March 2010 £000		31 March 2011 £000	Notes
6,109	General Fund	6,175	I
68,689	Earmarked Reserves	79,219	II
7,846	Capital Receipts Reserves	6,333	III
32,653	Capital Grants Unapplied Reserve	27,842	IV
115,297	Total	119,569	

I. General Fund Reserves

General Fund Reserves are maintained at a prudent level to protect the Council against unforeseen events and the realisation of contingent liabilities .

II. Earmarked Reserves

Note 8 gives details of earmarked reserves.

III. Capital Receipts Reserve

The balance represents the receipts from sales of fixed assets and the repayment of mortgage advances, less amounts used for debt repayment or to finance capital expenditure. These receipts have been taken into account within the planned financing of the Councils approved capital programme.

Usable Capital Receipts Reserve	2009/10 £000	2010/11 £000
Balance Brought Forward 1st April	**2,144**	**7,846**
Amounts Received		
General Receipts	12,762	8,919
Transfer from Unapplied Grants & Contributions	1,473	-
Amounts Applied		
New Capital Investment	(8,488)	(10,359)
CLG Housing Pooling Payment	(45)	(73)
Balance Carried Forward 31st March	**7,846**	**6,333**

IV. Capital Grants Unapplied Reserve

The balance on Capital Grants and Contributions Unapplied Reserve represents income received from Government Departments and other third parties to finance capital expenditure which has not been incurred at 31 March 2011. These grants have been taken into account within the planned financing of the Councils approved capital programme.

Capital Grants & Contributions Unapplied Reserve	2009/10 £000	2010/11 £000
Balance Brought Forward 1st April	**23,235**	**32,654**
Transfers to/from reserves:		
Grants & Contributions in year	21,053	11,599
		-
Amounts Applied to Finance Expenditure:		
Capital Investment in year	(5,815)	(14,804)
REFCUS	(5,819)	(1,606)
Balance Carried Forward 31st March	**32,654**	**27,843**

23. UNUSABLE RESERVES

31 March 2010 £000		31 March 2011 £000	Notes
93,495	Revaluation Reserve	94,220	I
(729,599)	Pensions Reserve	(383,133)	II
497,981	Capital Adjustment Account	476,664	III
8,810	Deferred Capital Receipts	7,815	IV
(20,110)	Financial Instruments Adjustment Account	(17,602)	V
949	Collection Fund Adjustment Account	1,062	VI
(7,702)	Accumulated Absences Account	(7,164)	VII
(156,176)	**Total Unusable Reserve**	**171,862**	

I Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are removed
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve			
31 March 2010 £000		**31 March 2011 £000**	**Notes**
(52,731)	**Balance at 1 April**	(93,495)	
(46,720)	Upward revaluation of assets	(16,142)	I
1,346	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,401	
658	Revalution losses not charged to the Surplus/Deficit on the Provision of Services	2,301	
2,756	Difference between fair value description and historical cost depreciation	3,667	
1,196	Accumulated gains on assets sold or scrapped	8,048	II
(93,495)	**Balance at 31 March**	**(94,220)**	

I. The upward revaluation is as a result of the assets being revalued upwards as part of the 5 year rolling programme.

II. Accumulated gains on assets sold or scrapped relates mainly to removal of schools which have transferred to Pontefract Trust from the asset register (£7.159m). The remainder relates to assets disposed through assets held for sale.

II Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000	Pensions Reserve	2010/11 £000
(351,502)	**Balance at 1 April**	(729,599)
(359,609)	Actuarial Gains or (losses) on pension assets and liabilities	193,758
(49,971)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	114,767
31,483	Employer's pensions contributions and direct payments to pensioners payable in year	37,941
(729,599)	**Balance at 31 March**	(383,133)

See disclosure note 41 for further details

III Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical costs basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council (there are no donated assets recognised in the 2010/11 accounts).

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2010 £000		31 March 2011 £000	Note
470,495	**Balance at 1 April**	**497,981**	
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(29,901)	Charges for depreciation and impairment of non-current assets	(30,315)	
(5,539)	Revaluation losses on Property, Plant and Equipment	(12,968)	I
(1,630)	Movement in value of held assets for sale	(2,495)	
(1,765)	Revenue expenditure funded from capital under statute	(5,589)	
(5,878)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(27,313)	II
425,782	**Net written out amount of the cost of non-current assets consumed in the year**	**419,301**	
	Capital financing applied in the year:		
8,468	Use of the Capital Receipts Reserve to finance new capital expenditure	10,333	
33,781	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	37,464	
11,634	Application of grants to capital financing from the Capital Grants Unapplied Account	-	
14,372	Statutory provision for the financing of capital investment charged against the General Fund	9,136	
2,860	Capital expenditure charged against the General Fund	1,751	
496,897		**477,985**	
5	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,221)	See Note 13
1,079	Other	900	
497,981	**Balance at 31 March**	**476,664**	

I. These revaluation losses have occurred due to a large number of revaluations and re-classifications in year. Where asset re-classifications occur they may need to be valued under a different valuation method which can then lead to a revaluation loss.

II. This relates mainly to the transfer to the Pontefract Schools Trust, more information is provided in Note 12.

IV Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place , amounts are transferred to the Capital Receipts Reserve .

Deferred Capital Receipts Reserve		
31 March 2010 £000		**31 March 2011 £000**
9,450	**Balance at 1 April**	8,810
(640)	Transfer to the Capital Receipts Reserve upon receipt of cash	(995)
8,810	**Balance at 31 March**	**7,815**

These are amounts derived from sales of assets and loans, which will be received in instalments over agreed periods of time.

31 March 2010 £000	**Deferred Capital Receipts**	**31 March 2011 £000**	**Notes**
92	Council House Mortgages	56	
16	Loans to Third Parties	15	
8,067	Welbeck	7,385	I
635	Ackton Pastures - Sale of land	359	II
8,810	**Total**	**7,815**	

I. Welbeck – This represents the deferred income due from the Welbeck Waste Recycling Group under the 35 year finance lease which commenced in November 1998.

II. The amount receivable of £0.359m at 31 March 2011 in respect of sale of land at Ackton Pastures represents the estimated income due from the developer which it is anticipated will not be received until after 1 April 2012.

V Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

31 March 2010 £000		**31 March 2011 £000**
20,228	**Balance at 1 April**	20,110
635	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(903)
(753)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(1,605)
20,110	**Balance at 31 March**	**17,602**

An alternative method of explaining these figures is shown below

	1st April 2010	Increase in year	Amortisation in year	31st March 2011
Discounts	(3,092)	-	73	(3,019)
Premiums	20,455	55	(861)	19,649
Stepped Loans Instruments	986	-	(14)	972
Impairment of Investment	1,761	(958)	(803)	-
Total	20,110	(903)	(1,605)	17,602

VI Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement that falls due from council tax payers compared with the statutory arrangements for transferring amounts to the General fund from the Collection Fund.

31 March 2010 £000	Collection fund adjustment account	31 March 2011 £000
72	**Balance at 1 April**	949
877	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	112
949	**Balance at 31 March**	**1,061**

VII Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2010 £000		31 March 2011 £000
6,642	**Balance at 1 April**	7,702
(6,642)	Settlement or cancellation of accrual made at the end of the preceding year	(7,702)
7,702	Amounts accrued at the end of the current year	7,164
1,060	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(538)
7,702	**Balance at 31 March**	**7,164**

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

2009/10 £'000	Operating activities within the cashflow statement include the following cash flows relating to interest	2010/11 £'000
4,852	Interest Received	2,765
(11,267)	Interest Paid	(11,901)

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2009/10 £'000	Cash Flows from Investing Activities	2010/11 £'000
(64,821)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(59,692)
(96,761)	Purchase of short and long term investments	(201,689)
(138)	Other payments for Investing Activities	(517)
2,764	Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,918
116,100	Proceeds from short-term and long-term investments	188,112
61,558	Other Receipts from Investing Activities	47,826
18,702	**Total Cash Flows from Investing Activities**	**(24,042)**

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2009/10 £'000	Cash Flows from Financing Activities	2010/11 £'000
24,720	Cash receipts of short and long term borrowing	40,380
(2,982)	Council Tax and NNDR adjustments	1,147
(62,318)	Repayment of Short-Term and Long-Term Borrowing	(41,182)
0	Other receipts from financing activities	
(1,712)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,440)
(42,292)	**Total Cash Flows from Investing Activities**	**(1,095)**

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. This is different to the basis of resource allocation which shows how the Council spends its resources on the delivery of services and which is used within the Council's budget decision making and planning process. The following shows how the financial reporting of resource allocation to Council can be reconciled to the Comprehensive Income and Expenditure Statement.

2009/10

2009/10	Corporate Performance	Family Services	Schools	Communities	Regeneration & Economic Growth	Corporate Budgets	Treasury Management	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(39,892)	(69,722)	(14,409)	(64,306)	(33,856)	(54,731)	(3,357)	**(280,273)**
Government Grants	(117,822)	(42,272)	(211,080)	(299)	(3,921)	(157)	0	**(375,551)**
Total Income	**(157,714)**	**(111,994)**	**(225,490)**	**(64,605)**	**(37,777)**	**(54,888)**	**(3,357)**	**(655,824)**
Employee Expenses	30,499	81,832	175,490	43,150	25,789	(2,883)	0	**353,878**
Other Service Expenses	139,530	138,491	64,193	51,985	36,606	92,789	12,957	**536,550**
Support service recharges	9,646	26,148	11,912	8,618	10,927	243	0	**67,492**
Total Expenditure	**179,674**	**246,472**	**251,595**	**103,752**	**73,322**	**90,148**	**12,957**	**957,920**
Net Expenditure	**21,960**	**134,478**	**26,105**	**39,148**	**35,545**	**35,260**	**9,600**	**302,096**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2009/10 £000
Net expenditure in the Directorate Analysis	302,096
Amounts in the Comprehensive Income and Expenditure Statement not included in the analysis above	
Contribution to Joint Services	1,065
	303,161
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement:	
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement:	(29,338)
Cost of Services in Comprehensive Income and Expenditure Stateme	**273,824**

Reconciliation to Subjective Analysis 2009/10	Directorate Analysis £000	Amounts not included in Directorate Analysis £000	Amounts not included Cost of Services £000	Cost of Services £000	Corporate Amounts £000	Trading Accounts £000	Total £000
Fees, charges & other service income	(280,273)		81,396	(198,877)		(81,396)	(280,273)
Interest and investment income			2,051	2,051	(2,051)		-
Demands on the Collection Find				-	(110,500)		(110,500)
Distribution from non-domestic rate pool				-	(111,368)		(111,368)
Gain on Disposal of Long Term Investment			480	480	(480)		-
Gain in respect of Unattached Capital Receipt			7,427	7,427	(7,427)		-
Government grants and contributions	(375,551)		940	(374,611)	(940)		(375,551)
General Government Grants				-	(46,272)		(46,272)
Total Income	**(655,824)**	**-**	**92,294**	**(563,530)**	**(279,037)**	**(81,396)**	**(923,964)**
Employee expenses	353,878		(40,974)	312,904		40,974	353,878
Other service expenses	536,550		(29,247)	507,303		29,247	536,550
Support service recharges	67,492		(7,672)	59,820		7,672	67,492
Depreciation, amortisation and impairment			(4,244)	(4,244)		4,244	-
RCCO			(2,860)	(2,860)			(2,860)
Contribution to Joint Services		1,065		1,065			1,065
Interest Payments			(13,371)	(13,371)	13,371		-
Precepts & Levies				-	2,100		2,100
Payments to Housing Capital Receipts Pool			(45)	(45)	45		-
Gain of Loss on Disposal of Fixed Assets			(3,773)	(3,773)	3,773		-
Gain & Loss on early repurchase or early settlement			(8)	(8)	8		-
Pensions Interest Cost and Expected Return			(28,821)	(28,821)	28,821		-
Total Expenditure	**957,920**	**1,065**	**(131,014)**	**827,972**	**48,118**	**82,136**	**958,226**
IFRS Transition Adjustments			9,382	9,382	(64,642)	(62)	(55,322)
Surplus or deficit on the provision of services	**302,096**	**1,065**	**(29,337)**	**273,824**	**(295,561)**	**678**	**(21,060)**

2010/11

2010/11	Corporate Performance	Family Services	Schools	Communities	Regeneration & Economic Growth	Corporate Budgets	Treasury Management	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(50,657)	(68,856)	(13,016)	(48,313)	(25,914)	(19,042)	(2,319)	**(228,119)**
Government Grants	(127,848)	(47,272)	(217,659)	(253)	(7,135)	(10)	0	**(400,176)**
Total Income	**(178,504)**	**(116,128)**	**(230,675)**	**(48,566)**	**(33,049)**	**(19,053)**	**(2,319)**	**(628,295)**
Employee Expenses	30,375	84,480	175,397	41,955	26,558	19,702	0	**378,466**
Other Service Expenses	151,530	162,556	65,377	33,417	42,146	24,655	11,145	**490,826**
Support service recharges	12,198	16,213	13,894	9,057	9,165	1,217	0	**61,744**
Total Expenditure	**194,103**	**263,249**	**254,667**	**84,430**	**77,869**	**45,573**	**11,145**	**931,036**
Net Expenditure	**15,599**	**147,121**	**23,992**	**35,864**	**44,820**	**26,520**	**8,826**	**302,741**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2010/11
	£000
Net expenditure in the Directorate Analysis	302,741
Amounts in the Comprehensive Income and Expenditure Statement not included in the analysis above	1,080
Contribution to Joint Services	1,080
	303,821
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement Cost of Service:	
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement Cost of Service:	(196,353)
Cost of Services in Comprehensive Income and Expenditure Statement	**107,468**

Reconciliation to Subjective Analysis

2010/11	Directorate Analysis	Amounts not included in Directorate Analysis	Amounts not included Cost of Services	Cost of Services	Corporate Amounts	Trading Accounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(228,119)	-	60,334	(167,784)	-	(60,332)	(228,117)
Interest and investment income	-	-	2,226	2,226	(2,226)	-	-
Investment Properties	-	-	814	814	(814)	-	-
Demands on the Collection Find	-	-	-	-	(113,012)	-	(113,012)
Distribution from non-domestic rate pool	-	-	-	-	(123,325)	-	(123,325)
Gain in respect of Unattached Capital Receipt	-	-	5,876	5,876	(5,876)	-	-
Government grants and contributions	(400,176)	-	1,092	(399,084)	(1,092)	-	(400,176)
Capital Grants & Contributions	-	-	32,778	32,778	(32,778)	-	-
General Government Grants	-	-	-	-	(37,502)	-	(37,502)
Total Income	**(628,295)**	**-**	**103,121**	**(525,174)**	**(316,626)**	**(60,332)**	**(902,132)**
Employee expenses	378,466	-	(41,605)	336,861	-	41,605	378,466
Other service expenses	490,826	-	(21,714)	469,112	-	21,712	490,824
Support service recharges	61,744	-	(5,327)	56,417	-	5,327	61,744
Depreciation, amortisation and impairment	-	-	(4,498)	(4,498)	(608)	5,106	-
RCCO	-	-	(1,751)	(1,751)	-	-	(1,751)
Contribution to Joint Services	-	1,080	-	1,080	-	-	1,080
Interest Payments	-	-	(12,791)	(12,791)	12,791	-	-
Precepts & Levies	-	-	-	-	2,211	-	2,211
Payments to Housing Capital Receipts Pool	-	-	(73)	(73)	73	-	-
Gain of Loss on Disposal of Fixed Assets	-	-	(32,583)	(32,583)	32,583	-	-
Premium on early repayment of debt	-	-	(55)	(55)	55	-	-
Movement in value of held for sale assets	-	-	(2,495)	(2,495)	2,495	-	-
Changes in fair value of investment properties	-	-	(2,221)	(2,221)	2,221	-	-
Investment Properties	-	-	(582)	(582)	582	-	-
Revenue Grants	-	-	(3,510)	(3,510)	-	-	(3,510)
Gains / loss on disposal of investment properties	-	-	(87)	(87)	87	-	-
Pensions Interest Cost and Expected Return	-	-	(170,180)	(170,180)	17,472	-	(152,708)
Total Expenditure	**931,036**	**1,080**	**(299,474)**	**632,642**	**69,964**	**73,750**	**776,356**
Surplus or deficit on the provision of services	**302,741**	**1,080**	**(196,353)**	**107,469**	**(246,662)**	**13,417**	**(125,776)**

28. TRADING OPERATIONS

The following operations are largely the former statutory Direct Service Organisations (DSOs) and Direct Labour Organisations (DLOs), together with other services that are defined as Trading Operations in accordance with the BVACOP.

31 March 2010	Trading Operations	31 March 2011							
(Surplus) / Deficit £000		Internal Income £000	External Income £000	Total Income £000	Expenditure £000	(Surplus) / Deficit £000	Capital Charges £000	(Surplus) / Deficit £000	Note
(79)	Building Maintenance	(10,550)	37	(10,513)	11,733	1,220	238	982	I
(24)	Cleaning of Buildings	(6,063)	(508)	(6,571)	6,312	(259)	13	(272)	II
(64)	Ground Maintenance	(638)	-	(638)	606	(32)	-	(32)	III
(407)	Transport Services	(6,267)	(636)	(6,902)	6,667	(235)	299	(534)	IV
(240)	Kingswood Catering	(8,890)	(2,521)	(11,410)	11,135	(275)	2	(277)	V
1,554	Other	(1,607)	(332)	(1,938)	4,866	2,928	2,533	395	
740	**Total**	**(34,015)**	**(3,960)**	**(37,972)**	**41,319**	**3,347**	**3,085**	**262**	

Building maintenance

Building maintenance provides a wide range of building services to enhance and maintain the Council's assets. The objectives of the service are the repair, maintenance and enhancement of the Council's buildings, to preserve the values and maximise use. External income was in deficit in 2010/11 due to write off of invoices.

Cleaning of buildings

Thornespark cleaning is the in-house cleaning service providing cleaning to most of the Council's buildings and schools. The main customers are Schools and WMDC plus a small number of external public sector customers. Schools have a choice as to who they commission to provide this service. The service objectives are to provide reliable, good quality and cost effective cleaning of schools and public buildings. The service has a cost structure and pricing policy that ensures all direct and indirect costs are recovered.

Grounds Maintenance

The trading part of grounds maintenance incorporates environmental cleansing, sweeping as well as arboriculture and mainstream grounds maintenance. The main customers are schools and parish councils.

Transport services

Transport services provide contract vehicle maintenance internally to the Council as well as externally to YPO and West Yorkshire Police. They also provide a passenger transport service in conjunction with Family services to transport elderly, disabled and disadvantaged school children. In addition, they provide MOT's for both internal and external customers. Charges for maintenance contracts are fixed internally and external customers have service level agreements.

Kingswood catering

Kingswood catering provides a school meals service to 97% of the schools within the district. Other ad hoc work is provided to YPO and private nurseries. The core purpose of the service is

to assist the Council in reducing obesity and health inequalities across the district by offering safe, high quality meals which meet all legislative requirements and represents value for money. All work is commissioned under a service level agreement.

Other

Other trading includes catering facilities at County and Town Hall, the provision of services at Woolley Hall and the balance of unallocated support service costs.

31 March 2010	Other Trading Operations	31 March 2011							
(Surplus) / Deficit £000		Internal Income £000	External Income £000	Total Income £000	Expenditure £000	(Surplus) / Deficit £000	Capital Charges £000	(Surplus) / Deficit £000	Note
	Significant Trading Accounts Included in Net Cost of Service								
955	Markets	(3)	(1,699)	(1,702)	2,167	465	185	280	I
(510)	Managed Property	-	(1,578)	(1,578)	2,792	1,214	1,889	(675)	II
(1,728)	Car Parks	(27)	(3,259)	(3,286)	1,623	(1,663)	99	(1,762)	III
(268)	Trade Refuse	(878)	(1,175)	(2,053)	1,680	(373)	154	(527)	IV
22	Building Control	-	(650)	(650)	674	24	-	24	V
4,684	Sports Centres and Golf Clubs	(460)	(2,104)	(2,564)	7,407	4,843	1,074	3,769	VI
3,155	**Total**	**(1,368)**	**(10,465)**	**(11,833)**	**16,343**	**4,510**	**3,401**	**1,109**	

Markets

The Council operates three indoor and 8 outdoor markets across the district which contribute towards achieving tourism and economic regeneration priorities.

Managed Property

Managed property is the activity of leasing the Council's commercial properties on an investment basis. The Council's commercial estate is a diverse portfolio of property which includes Shops, Ground leases, Offices and Development sites. The rents are set at market levels based on comparable commercial properties .The trading activity is expected to generate set income targets whilst maintaining sufficient capital receipt targets as set out in the Medium Term Financial Plan

Car Parks

The car parking service provides 4,465 on and off street parking spaces throughout the district in line with the Council's overall parking strategy. The main customers are businesses and individuals using parking for work, shopping or leisure. Pay and display car parking is a commercial operation that competes with and complements the private sector.

Trade Waste

The trade refuse service provides waste collection and disposal for around 2,200 internal and external customers. Charges are calculated on an annual basis and these prices are used on all contracts except where the service has the opportunity to submit a tender. Objectives are to maintain income levels and where possible develop new markets to increase income levels.

Building control

The building control trading account covers the chargeable activities within building control, rather than the statutory advice and duties the Council is required to undertake. Customers include housing developers and householders and can choose whether to use the Councils service or those provided by private companies. In 2010/11 the council received 1,443 applications and carried out 7.670 inspections.

Sports centres and golf clubs

The Council operates five swimming pools, three sports centres and two golf courses across the District. A full range of sporting activities is provided for both individuals and clubs. The schools swimming programme is provided through the pools. The aim of the service is to help the Council meet its healthier communities objective.

29. POOLED BUDGETS

As at the 31st March 2011, the Council had four pooled budgets under section 75 of the National Health Act 2006. These pooled budgets relate to People with Learning Disabilities (created in April 2003, new agreement signed in April 2008 and hosted by Wakefield MDC), the Integrated Community Equipment Store (created in January 2004, new agreement signed in April 2008 and hosted by the Wakefield MDC),the CAHMS (Community and Mental Health Service) pooled budget (created in April 2006 and hosted by Wakefield MDC), and the pooled budget for people with Mental Health Disabilities (created in April 2006, new agreement signed in April 2008 and hosted by the Wakefield District Primary Care Trust).

The details of the contributions and expenditure on service for people with learning disabilities are disclosed below. In line with the Section 75 agreement, the surplus of £18k at 31 March 2010 was brought forward for utilisation in 2010/11. In 2010/11 there was no surplus/deficit.

PEOPLE WITH LEARNING DISABILITIES	**2009/10 £000**	**2010/11 £000**
FUNDING:		
Contribution from Wakefield District Primary Care Trust	12,052	12,012
Contribution from Local Authority	11,086	11,780
Surplus c/fwd from previous year	335	18
TOTAL FUNDING	23,473	23,810
EXPENDITURE:		
Provision of services to people with Learning Disabilities	23,455	23,810
TOTAL EXPENDITURE	23,455	23,810
NET SURPLUS	**18**	**0**
Less Net Surplus/(Deficit) Distributed to Partners	**-**	**0**
NET SURPLUS C/FWD AT 31 MARCH	**18**	**0**

The details of the contributions and expenditure for the Integrated Community Equipment Store are disclosed below. The surplus in 2009/10 is £36k which partners agreed to carry forward for utilisation in 2010/11. The surplus in 2010/11 is £294k which partners have agreed to carry forward for utilisation in 2011/12.

JOINT INTEGRATED EQUIPMENT STORE	2009/10 £000	2010/11 £000
FUNDING:		
Contribution from Wakefield District Primary Care Trust	1,128	1,128
Contribution from Local Authority(Lead commissioner)	841	840
Surplus c/fwd from previous year	-	36
TOTAL FUNDING	1,969	2,004
EXPENDITURE:		
Wakefield District Primary Care Trust	1,933	1,710
Local Authority	-	-
TOTAL EXPENDITURE	1,933	1,710
NET SURPLUS/(DEFICIT)	**36**	**294**

The details of the contributions and expenditure for the CAMHS Revenue Grant pooled budget are disclosed below. Funding from partners decreased in total from £1,249k in 2009/10 to £1,038k in 2010/11. The surplus in 2010/11 is £205k which partners have agreed to carry forward for utilisation in 2011/12.

CAMHS REVENUE GRANT	2009/10 £000	2010/11 £000
FUNDING:		
Contribution from Wakefield District Primary Care Trust	322	322
Contribution from Local Authority	559	441
Surplus c/fwd from previous year	368	275
TOTAL FUNDING	1,249	1,038
EXPENDITURE:		
CAMHS Expenditure	974	833
NET SURPLUS C/FWD AT 31 MARCH	**275**	**205**

The details of the contributions and expenditure for people with mental health disabilities are disclosed below. In line with the Section 75 agreement between the partners any variances against their contributions are returned back to the originators, therefore there is no carry forward to 2011/12.

PEOPLE WITH MENTAL HEALTH DISABILITIES	2009/10 £000	2010/11 £000
FUNDING:		
Contribution from Wakefield District Primary Care Trust (lead provider)	24,481	24,993
Contribution from Local Authority	3,774	3,924
TOTAL FUNDING	28,255	28,917
EXPENDITURE:		
Adult MH Services	28,255	28,917
TOTAL EXPENDITURE	28,255	28,917
NET SURPLUS/(DEFICIT)	-	-

30. MEMBERS' ALLOWANCE

The Council paid the following amounts to members of the council during the year.

	2009/10 £000	2010/11 £000
Allowances	1,060	1,035
Expenses	9	8
TOTAL	1,069	1,043

31. OFFICERS' REMUNERATION

Table 1 indicates the numbers of employees whose remuneration was greater than £50,000 set out in bands of £5,000. Remuneration is defined as amounts paid to or receivable by an employee, including payments in kind, expenses allowances that would be chargeable to UK Income Tax and employees' pension contributions. These disclosures only include teachers that are directly employed by the Council. Senior Officers disclosed in Table 2 are excluded from Table1.

In 2010/11, 304 officers (241 in 2009/10) received remuneration in excess of £50,000, including 90 head teachers and 83 other teaching staff (92 and 61 in 2009/10).
Of the 304 employees, 49 were in receipt of redundancy payments that meant that they were included in the note when normally they wouldn't have been.

Table 1

REMUNERATION BAND £	Number of Employees 2009/10 No.	2010/11 No.
50,000 - 54,999	123	149
55,000 - 59,999	54	60
60,000 - 64,999	23	33
65,000 - 69,999	11	20
70,000 - 74,999	6	17
75,000 - 79,999	9	6
80,000 - 84,999	5	4
85,000 - 89,999	3	6
90,000 - 94,999	3	1
95,000 - 99,999	1	4
100,000 - 104,999	-	-
105,000 - 109,999	1	2
110,000 - 114,999	1	-
115,000 - 119,999	-	2
120,000 - 124,999	-	-
125,000 - 129,999	-	-
130,000 - 134,999	-	-
135,000 - 139,999	1	-
TOTAL	241	304

Table 2 sets out the remuneration disclosure for Senior Officers (Corporate Management Team members and other statutory officers) whose salary is £50,000 per year or more by job title, those with a salary of £150,000 or more are also named in person. Comparative figures for 2009/10 are also shown. There were no bonuses or benefits in kind. These officers are excluded from Table 1.

Senior officers whose salary is £50,000 or more are named by job title, those with a salary of £150,000 or more are also named in person.

Year	Post	Salary (including fees & allowances) £	Expense allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £	Notes
2010/11	Chief Executive - Joanne Roney	193,343	-	-	193,343	27,108	220,451	I
	Corporate Director - Regeneration and Economic Growth	120,000	-	-	120,000	17,640	137,640	
	Corporate Director - Communities	120,000	-	-	120,000	17,640	137,640	
	Corporate Director - Family Services	145,447	1,089	-	146,535	21,381	167,916	II
	Corporate Director - Corporate Performance	124,467	-	62,137	186,604	17,640	204,244	III
	S151 Officer - Director of Finance and Property	86,465	-	-	86,465	12,710	99,175	
	Monitoring Officer - Service Director Legal and Democratic Services	82,000	101	-	82,101	12,054	94,155	
	Director of Adult Services	92,926	13		92,939	13,660	106,599	
		964,648	1,203	62,137	1,027,987	139,833	1,167,821	
2009/10	Chief Executive - Joanne Roney	196,355	-	-	196,355	25,817	222,172	I
	Corporate Director - Regeneration, Culture and Sport	120,000	-	-	120,000	16,800	136,800	
	Corporate Director - Communities	56,452	-	-	56,452	7,903	64,355	
	Corporate Director - Family Services	145,447	1,259	-	146,706	20,363	167,069	II
	Corporate Director - Business & Resources	106,129	-	-	106,129	14,858	120,987	III
	Corporate Director - Corporate Services and Monitoring Officer	63,823	585	130,177	194,585	8,254	202,839	IV
	S151 Officer - Director of Finance	86,465	-	-	86,465	12,105	98,570	
	Monitoring Officer - Service Director Legal and Democratic Services	10,250	-	-	10,250	1,435	11,685	v
	Director of Improvements & Partnerships	43,233	33	-	43,266	6,053	49,319	VI
	Director of Adult Services	91,196	-	-	91,196	12,768	103,964	
		919,350	1,877	130,177	1,051,404	126,356	1,177,760	

I The Chief Executive's salary for 2010/11 was £184,410. Total payment in 2010/11 £193,343 includes election fees of £8933.
The Chief Executive's salary for 2009/10 was £184,410. Total payment in 2009/10 of £196,355 includes election fees of £11,945.

II This role also undertakes the statutory role of Director of Children's Services

III Postholder left 31/3/11. The salary figures includes election fees of £4467 for 2010/11
The job title was amended on1/4/10. Postholder started 13/5/2009. Annualised Salary is £120,000.

IV Postholder left 30/9/2009. The salary figures includes election fees of £4,865 for 2009/10

V New role following reconfiguration of Corporate Management Team. Postholder started 15/2/2010. Annualised salary is £82,000.

VI Postholder left on 30/9/2009, the post subsequently covered by a secondee from IDEA. Annualised salary is £86,465. Post not covered 2010/11

The post of Corporate Director-Corporate Performance was deleted from the establishment on the 1/4/11. The Chief Executive and Corporate Directors volunteered a 5% pay cut for 2011/12 which was implemented 1/4/11.

32. EXTERNAL AUDIT COSTS

The following fees were paid to the external auditors for services carried out:

Audit Costs	2009/10 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	342	341
Fees payable to the Audit Commission in respect of statutory inspection	16	0
Fees payable to the Audit Commission for the certification of grant claims and returns	81	76
Fees payable in respect of other services provided by the appointed auditor	0	3
Total	**439**	**420**

The fees payable in respect of other services relates to benchmarking assurance work undertaken by the Audit Commission.

33. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is primarily funded by grant monies provided by the Department of Education (DfE) in the form of the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 is as follows:

	School Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000's	Individual Schools Budget £000's	Total £000's
Final DSG for 2010/11			**187,034**
Brought Forward from 2009/10			**(465)**
Carry forward to 2011/12 agreed in advance			186,569
Agreed budgeted distribution in 2010/11	16,404	170,165	**186,569**
Actual central expenditure	17,816	-	17,816
Actual ISB deployed to schools	-	170,165	170,165
Local authority contribution for 2010/11	-	-	-
Carry forward to 2011/12 agreed in advance	**(1,412)**	**0**	**(1,412)**

This over commitment primarily arises from changes to Standards Fund allocation from the Government were announced in late March 2011, the impact of which is being managed within School budgets in 2011/12.

34. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

Grant Income	31 March 2010 £000	31 March 2011 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	25,705	17,908
National Non-Domestic Rates	111,368	123,325
Area Based Grant/Performance Reward Grant	20,567	19,595
Capital Grants & Contributions	60,626	32,778
PFI Grants	940	1,092
Total	**219,206**	**194,698**
Credited to Services		
Dedicated Schools Grant	181,938	186,320
Mandatory Rent Allowance Subsidy	91,352	99,917
Council Tax Benefit Grant	22,539	23,610
School Development Grant	15,309	14,138
Sure Start Early Years & Childcare Grant	10,102	11,669
16-19 Learning & Skills Council Contracts	-	8,932
Learning & Skills Council Grant for Sixth Forms	58	8,121
Standards Fund - Schools Standards Grant	10,073	10,268
Learning & Skills Council Grant for Adult Education	3,688	3,672
Housing Benefit Administration	3,450	3,497
Future Jobs Fund	757	2,861
SF Primary Strategy (Targeted)	1,658	2,058
Extending and Increasing Flexibility 3-4 year olds	488	1,909
Think Family Grant	114	1,787
Social Care Reform Grant	1,391	1,721
Standards Funds Extended Schools	1,010	2,282
Youth Justice Board	1,063	1,080
Supporting People Housing Grant	7,007	-
Total	**351,997**	**383,842**

NB: Supporting People Housing Grant was incorporated within Area Based Grant for 2010/11

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the funder. The balances at year-end are as follows:

Capital Grants & Contributions Receipts in Advance	2009/10 £000	2010/11 £000
Balance Brought Forward 1st April	**3,400**	**1,759**
Amounts Received from		
Grants & Contributions	79	113
Amounts Applied to		
New Capital Investment	(1,720)	(107)
Balance Carried Forward 31st March	**1,759**	**1,765**

In the main these relate to S106 agreements with developers.

35. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).
Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 34.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in note 30. Where members have an interest in companies or other organisations, details of such interests are recorded in the Register of Members' Interest, which is open to public inspection. During 2010/11 material transactions totalling approximately £77.5m net, took place with such organisations. £11.5m income due from related parties (of which £135k is still outstanding) has been netted off £89.0m paid to related parties. The majority of these payments were in respect of payments to Wakefield and District Housing (WDH) in relation to housing benefits.
Any contracts are entered into in full compliance with the Council's standing orders. Grants are made in line with proper consideration of declarations of interest. The members with declred interests take no part in any discussion or decision relating to grants made.

Senior Officers (Chief Executive and Directors) were requested to complete a voluntary declaration of any transactions in which they have a pecuniary interest in accordance with section 117 of the Local Government Act 1972. No interests were declared.

Other Public Bodies - The Council has a number of transactions with other public bodies including National Health Service bodies, other Councils and the Pension Fund. The following transactions are disclosed in other notes:

- Precepting authorities – Comprehensive Income and Expenditure Statement and Collection Fund.
- Pension Fund – Note 41.
- Pooled Budgets – Note 29.

Also National Health Service bodies make payments towards the nursing costs of Council funded residents in care homes.

Assisted Organisations – the Council has provided financial assistance to a number of organisations, but that assistance was not given on terms that gave the Council effective control over their operations.

36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement is analysed in the second part of this note.

	2009/10 £000	2010/11 £000
Opening Capital Financing Requirement	**230,182**	**250,836**
Adjustment - Street lighting PFI	**20,819**	
Capital Investment		
Property, Plant & Equipment	67,729	56,462
Assets Held for Sale	70	230
Investment Properties	250	3,804
Intangible Assets	813	540
Revenue Expenditure Funded from Capital Under Statute	17,470	11,613
Long Term Debtors	163	497
Long Term Investments	135	49
Sources of Finance		
Government Grants & Contributions	(61,093)	(43,687)
Capital Receipts	(8,470)	(11,831)
Direct Revenue Funding	(2,860)	(1,751)
Minimum Revenue Provision	(14,372)	(9,136)
Closing Capital Financing Requirement	**250,836**	**257,626**

Explanation of Movements in Year	2009/10 £000	2010/11 £000
Increase in underlying need to borrow (supported by Government financial assistance)	34,210	3,764
Increase in underlying need to borrow (unsupported by Government financial assistance)	818	12,162
Reduction For MRP	(14,372)	(9,136)
Total Movement	**20,656**	**6,790**

37. LEASES

The Code of Practice requires the Council to disclose its obligations under operating and finance leases, and a statement on the assets it holds and leases out to third parties. A finance lease is one which transfers substantially all of the risks and rewards of ownership of the asset to the lessee. If the terms of a lease mean that the risks and rewards of ownership remain with the lessor, then the lease is accounted for as an operating lease.

Council as Lessee

Finance Leases

The Council has acquired a number of accommodation units, Street Lighting PFI and an investment property under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment and Investment Properties in the Balance Sheet at the following net amounts:

	31 March 2010 £000	31 March 2011 £000
Land & Buildings (PPE)	0	462
PFI Infrastructure (PPE)	24,436	23,793
Investment Property	0	70
	24,436	24,325

The Council is committed to making minimum payments under the Street Lighting lease comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The other leases were leases where a premium was paid at the inception of the lease and there is therefore no outstanding commitment to make any future payments in respect of those leases.

The minimum lease payments in respect of the Street Lighting lease are made up of the following amounts:

	31 March 2010 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
▪ current	539	586
▪ non-current	19,562	18,976
Finance costs payable in future years	20,496	18,564
Minimum lease payments	40,597	38,126

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Not later than one year	2,471	2,308	539	586
Later than one year and not later than five years	9,445	9,626	2,885	3,320
Later than five years	28,681	26,192	16,677	15,656
	40,597	38,126	20,101	19,562

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £165k contingent rents were payable by the Council (2009/10 £139k)

The Council has sub-let the Investment property held under a finance lease. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £211k.

<u>Operating Leases</u>

The Council has acquired properties and equipment by entering into operating leases with various lives.

The future minimum lease payments due under non-cancellable leases in future years are:

	31-Mar-2011 £000	31-Mar-2010 £000
Not Later than one year	628	749
Later than one year and not later than five years	1,986	1,853
Later than five years	1,129	1,249
	3,743	3,851

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31-Mar-2011 £000	31-Mar-2010 £000
Minimum Lease Payments	1,577	1,751
Contingent Rents	0	0
Sublease Payments receivable	0	0
	1,577	1,751

Council as Lessor

Finance Leases

The Council leased out land at Welbeck as a Waste Landfill site on a 35 year finance lease with a remaining term of 22 years at 31 March 2011.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the land when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2010 £000	31 March 2011 £000
Finance lease debtor (net present value of minimum lease payments):		
▪ current	682	734
▪ non-current	7,360	6,626
Unearned finance income	3,258	2,649
Unguaranteed residual value of property	25	25
Gross investment in the lease	11,325	10,034

The gross investment in the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Not later than one year	1,291	1,291	1,291	1,291
Later than one year and not later than five years	5,166	5,166	5,166	5,166
Later than five years	4,868	3,577	4,843	3,552
	11,325	10,034	11,300	10,009

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £554k contingent rents were receivable by the Council (2009/10 £526k)

Operating Leases

The Council acts as lessor on a number of commercial properties, industrial units and land for the following purposes

- for the provision of community services
- for economic development purposes to provide suitable affordable accommodation for local businesses

38. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

The Private Finance Initiative is a source of funding used for long term major projects. Information on accounting for PFI's is included in accounting policy (y).

Street Lighting

The Council has a 25 year PFI contract for the maintenance and upgrading of its street lighting stock. The contract commenced in 2004 and expires in 2029.

2010/11 was the seventh year of this 25 year PFI contract. The Council has rights under the contract to specify the lighting levels throughout the district. The contract specifies minimum service standards in terms of lighting levels, electrical safety, structural integrity, condition, appearance, residual life/residual value and environmental protection with deductions from the fee payable if performance by the contractor is below minimum standards. The contractor took on an obligation to install new street lighting and maintain it to an agreed standard. The lighting stock will be transferred back to the Council at the end of the contract for nil consideration and with a minimum remaining life. The Council has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract. Contractual arrangements remained unchanged during the year.

Assets

The assets used to provide street lighting throughout the district are recognised on the councils balance sheet. Movements in their value over the year are detailed below:

Original Assets £'000	New Assets £'000	2009/10 Total £'000	PFI Assets Infrastructure	Original Assets £'000	New Assets £'000	2010/11 Total £'000
7,272	20,820	28,092	Historic cost	7,272	25,905	33,177
(1,822)	(948)	(2,770)	Cumulative Depreciation	(2,004)	(1,469)	(3,473)
5,450	19,872	25,322	**Value at 1 April**	5,268	24,436	29,704
-	5,085	5,085	Additions	-		0
(182)	(521)	(703)	Depreciation	(181)	(643)	(824)
5,268	24,436	29,704	**Value at 31 March**	5,087	23,793	28,880

Liabilities

The value and movement of liabilities held at each balance sheet date under the PFI contract is accounted for on the balance sheet as a deferred liability (See note 15 Financial instruments). The liability relates to new assets acquired under the contract as part of the replacement programme.

Payments

The Council makes a contracted payment each year which is increased by inflation and can be reduced if the contractor fails to meet performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contract as at 31st March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Future payments due under PFI contract	Service Charge £'000	Lifecycle Costs £'000	Interest Costs £'000	Finance Liability £'000	Total Unitary Payments £'000
Payments made in the current year	1,730	0	2,098	539	4,367
Future Payments :					
Payments due in 2011/12	1,655	0	1,895	586	4,136
Payments due in 2012/13 to 2015/16	6,624	0	7,228	3,320	21,627
Payments due in 2016/17 to 2020/21	9,242	1,036	7,600	5,076	23,299
Payments due in 2021/22 to 2025/26	10,596	2,616	5,834	5,681	25,098
Payments due in 2026/27 to 2028/29	6,186	1,633	2,139	4,898	9,687
Total Future Payments	34,303	5,285	24,696	19,561	83,847

Municipal Waste Management

The Council is developing a PFI project as part of implementing its Municipal Waste Management Strategy, for which development costs of £4.682m have been incurred up to 31 March 2011. Financial close of the project with the preferred bidder is expected to be achieved by Autumn 2011, so there are no other implications on the 2010/11 accounts.

39. LONG TERM LIABILITIES

31 March 2010 £000		31 March 2011 £000
	Pension Liabilities	
687,052	Pensions Fund (LGPS) Long Term Liability	344,781
42,547	Pensions Fund (Teachers Added Years) Long Term Liability	38,352
729,599	**Total Pension Liabilities**	**383,133**
	Deferred Liabilities	
1,462	Former West Yorkshire Waste Managemant Joint Committee	1,097
6,489	Welbeck	5,874
233	Former West Yorkshire Magistrates Court and Probation Service	79
19,561	Private Finance Initiative	18,975
4	Liabilities under Leases	-
27,749	**Total Deferred Liabilites**	**26,025**
757,348	**Total Other Long Term Liabilities**	**409,158**

Pensions liabilities are discussed in Note 41

More information with regard to deferred liabilities is shown in Note 15.

40. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11 the Council paid £13.71m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £13.96m and 14.1%. At the year end an amount of £1.09m was owed to the DfE (2009/10 £1.15m) in respect of employees contributions.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41.

41. DEFINED BENEFIT PENSION SCHEMES

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes a contribution towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered by the West Yorkshire Pension Fund (WYPF) - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The employers rate of contribution for 2010/11 was 14.7% and employees contribute at rates between 5.5% and 7.5% depending on salary.
- At the year end an amount of £1.929m was owed to the West Yorkshire Pension Fund in respect of employers contribution.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final salary scheme, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post - employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total	
	2009/10 £ 000	2010/11 £ 000	2009/10 £ 000	2010/11 £ 000	2009/10 £ 000	2010/11 £ 000
Comprehensive Income and Expenditure Statement						
Cost of Services						
current service cost	19,058	36,400			19,058	36,400
past service costs/(gain)	1,986	(160,029)	106	(8,610)	2,092	(168,639)
settlements and curtailments			-	-		
Financing and Investment Income and Expenditure			-	-		
interest cost	68,675	78,728	5,074	4,619	73,749	83,347
expected return on scheme assets	(44,928)	(65,875)	-	-	(44,928)	(65,875)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	44,791	(110,776)	5,180	(3,991)	**49,971**	**(114,767)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
actuarial (gains) and losses	339,729	(192,313)	19,880	(1,444)	**359,609**	**(193,757)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	384,520	(303,089)	25,060	(5,435)	409,580	(308,524)
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(44,791)	110,776	(5,180)	3,991	(49,971)	114,767
Actual amount charged against the General Fund Balance for pensions in the year:						
- employer's contributions to the pension scheme	25,518	32,115				
- retirement benefits payable to pensioners			5965	5,826		
Total charge against General fund					**31,483**	**37,941**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £107.3m

Assets and liabilities in relation to Post-employment benefits:

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

Reconciliation of the Present Value of Scheme Liabilities	**Funded Liabilities Local Government Pension Scheme**		**Unfunded Liabilities Discretionary Benefits**	
	2009/10 £ 000	**2010/11 £ 000**	**2009/10 £ 000**	**2010/11 £ 000**
Opening balance at 1st April	(972,775)	(1,554,491)	(74,356)	(93,451)
Current service cost	(19,058)	(36,400)	-	-
Interest cost	(68,675)	(78,728)	(5,074)	(4,619)
Contributions by scheme participants	(10,456)	(10,714)	-	-
Actuarial gains and (losses)	(524,292)	179,286	(19,880)	1,444
Benefits paid	42,751	46,201	5,965	5,826
Past Service costs	(1,986)	160,029	(106)	8,610
Closing balance at 31st March	**(1,554,491)**	**(1,294,817)**	**(93,451)**	**(82,190)**

Reconciliation of fair value of the scheme (plan) assets:

Local Government Pension Scheme	2009/10 £000	2010/11 £ 000
Opening balance at 1st April	695,629	918,343
Expected return on assets	44,928	65,875
Actuarial gains and (losses)	184,563	13,027
Employer contributions	25,518	32,115
Contributions by scheme participants	10,456	10,714
Benefits paid	(42,751)	(46,201)
Closing balance at 31st March	**918,343**	**993,873**

The Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is then derived by aggregating the expected return for each asset class over the actual asset allocation fund for the at 31 March 2011. The actual return on scheme assets in the year was a gain of £78.9m (2009/10 gain of £229.49m).

Scheme history

Scheme history	2006/07 (as restated) £m	2007/08 (as restated) £m	2008//09 £m	2009/10 £m	2010/11 £m
Present value of liabilities:					
Local Government Pension Scheme	(1,010.2)	(1,158.0)	(972.7)	(1,554.5)	(1,294.8)
Discretionary Benefits	(74.5)	(86.9)	(74.4)	(93.4)	(82.2)
Total	(1,084.7)	(1,244.9)	(1,047.1)	(1,647.9)	(1,377.0)
Fair Value of assets in the Local Government Pension Scheme	871.3	856.3	695.6	918.3	993.9
Surplus/(deficit) in scheme:					
Local Government Pension Scheme	(138.9)	(301.7)	(277.1)	(636.2)	(300.9)
Discretionary Benefits	(74.5)	(86.9)	(74.4)	(93.4)	(82.2)
Total	(213.4)	(388.6)	(351.5)	(729.6)	(383.1)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment/retirement benefits. The total liability of £383.1m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £291.431m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficits on the schemes will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

- the deficits on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions expected to be made by the Council to the Local Government Pension Scheme in the year to 31 March 2012 are £25.763m. In addition, contributions towards unfunded obligations may also be required. Expected contributions for the discretionary benefits in the year to 31 March 2012 are £5.97m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels. Both the West Yorkshire Pension Fund and the Teachers Pension schemes liabilities have been assessed by Hewitt Associates Limited, an independent firm of actuaries. Estimates for the West Yorkshire Pension Fund have been based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary have been:

Assumptions used in estimating assets and liabilites	Local Government Pension Scheme		Discretionary Benefits	
	2009/10	2010/11	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:				
Equities	8.0%	8.4%		
Bonds	4.7%	4.6%		
Other	6.2%	6.9%		
Mortality assumptions:				
Longevity at 65 for future pensioners:				
Men	24.1 years	23.7 years	24.1 years	23.7 years
Women	27.9 years	26.0 years	27.9 years	26.0 years
Longevity at 65 for current pensioners:				
Men	21.8 years	21.9 years	21.8 years	21.9 years
Women	25.4 years	24.0 years	25.4 years	24.0 years
Rate of inflation - RPI Inflation*	3.9%	3.7%	3.8%	3.6%
Rate of Inflation - CPI Inflations*	N/A	2.8%	N/A	2.7%
Rate of increase in salaries	5.7%	5.2%		
Rate of increase in pensions	3.9%	2.8%	3.8%	2.7%
Rate for discounting scheme liabilities	5.5%	5.4%	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	59%	50-75%		

* Following the Chancellors announcement on 22 June 2010 the increases to Public Sector pensions will be linked to the CPI rather than the RPI.

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Analysis of Total Assets Local Government Pension Scheme	31 March 2010 %	31 March 2011 %
Equity investments	71.6	73.1
Debt Instruments	15.6	15.3
Other assets	12.8	11.6
TOTAL	**100.0**	**100.0**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

History of experience gains and losses	2006/07 as restated %	2007/08 as restated %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets					
Local Government Pension Scheme	1.1%	-7.9%	-30.9%	20.1%	1.3%
Experience gains and losses on liabilities					
Local Government Pension Scheme	0%	-3.4%	0%	0.8%	7.0%
Discretionary Benefits - Local Government	0%	-3.4%	0%	2.5%	0.5%
Discretionary Benefits - Teachers	0%	-1.8%	0%	2.5%	-5.7%

42. CONTINGENT LIABILITIES

Contingent Liabilities are:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Council's control, or
- A present obligation arising from past events but is not recognised because
  - a. it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
  - b. the amount of the obligation cannot be measured with sufficient reliability.

The following Contingent Liabilities have been identified at 31 March 2011

- Municipal Mutual Insurance Ltd

The creditors of the above company, including the Council, have agreed a Scheme of Arrangement, which it is considered, will ensure an orderly settlement of claims. The company will continue to meet claims in full until all liabilities have been discharged. Should the company not have sufficient funds to meet the liabilities then they will be able to "claw back" a percentage of each claim settled in full. At this time it is anticipated that the company will remain solvent and that there will be no such "claw back".

- Guarantees

The Council acts as guarantor for FIRST, Groundwork Trust and the Hepworth Trust's membership of the West Yorkshire Pension Fund. Groundwork have a potential liability shown on their Balance Sheet as at 31/3/10 of £0.214m.

FIRST do not value their potential liabilities in their accounts as it is not considered to be of material value and would require costly actuarial valuations to determine. FIRST are in the process of being wound up, but there are not anticipated to be any financial implications to the Council. The Hepworth Trust guarantee is approximately £0.009m

- Claims under the Land Compensation Act 1973

There is a potential maximum liability of £1.3m for compensation under the Land Compensation Act 1973.

- Insurance Claims

At 31 March 2011 the Council had a potential liability of £8.7m in respect of Carleton High School fire. At 31 March the Council also faced other claims outstanding amounting to £14.1m. There was also a potential industrial injury clawback of £0.2m. This gives the Council a maximum total liability of £23.0m. A provision has been set aside on the balance sheet to the value of £7.7m for the estimated cost to the Council for that future settlement of these liabilities after taking account of estimated insurance receipts. However if all outstanding claims against the Council are successful there is a maximum contingent liability for insurance claims of £5.3m.

- Public Private Partnership

The Council has entered into a public private partnership with Norfolk Property Services North East Ltd (NPS) for the delivery of the Council's design services. Under the terms of the partnership, in the event of early termination or expiry of the agreement, the contracts of employment of any employees will transfer to the Council. The Council acts as guarantor for membership of the WY Pension Fund for the transferred staff. Potential liabilities could be up to £7.34m

- Wakefield & District Housing (WDH)

The Council is committed to the provision of certain environmental and non-environmental warranties in respect of WDH and lenders to WDH for a number of years. Any liabilities are met from the Councils insurance provision. In the period from transfer to 31 March 2011 the Council has not received any claims in respect of either environmental or non-environmental warranties.

- Equal Pay

The Council is in the process of making compensation payments and offers to groups of staff under the Equal Pay Act 1970. A provision has been made to cover the estimated liability of these payments. However, new claims are still being received and as yet the Council's liability for these is unclear.

- Ackton Pastures

The Council will be required to identify land to make available for disposal to a developer under the terms of an agreement between both parties. At this point the amount and timing are not able to be quantified.

- Joint Committee

A joint committee of which the Council is a member authority has been asked by a regulatory body to provide information in relation to its activities. At present it is not known whether this will lead to any action or if there will be any financial impact.

- Sites For Disposal

For a number of sites chosen for disposal there is an obligation to pay a proportion of the sale proceeds over to a partner or grant funder. The timing of any disposals and the value of any sale proceeds are uncertain at this point in time due to current market conditions.

43. CONTINGENT ASSETS

Contingent Assets are possible assets arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Council's control.

The following Contingent Assets have been identified at 31 March 2011

- The Council may be due to receive £3.7m at the balance sheet date in respect of VAT, which has been collected on off street car parking charges since June 2000, pending the outcome of legal action by the Isle of Wight Council against H.M. Revenue and Customs (HMRC).

- A VAT Sharing Agreement with WDH means that the Council may benefit between now and 2020 with regard to input VAT that is reclaimable by WDH. There were initial calls on these

funds that have now been settled and there is a 50/50 split of the remainder. Amounts relating to works completed during 2010/11 are not fully receivable until 2011/12, we expect to receive £3.4m in total relating to works completed in 2010/11. Amounts receivable in future years are dependent on the amount of work undertaken by WDH and corresponding VAT being repaid by HMRC.

- The Council has submitted claims to HMRC in respect of potential overpaid VAT under VAT legislation, otherwise referred to as "Fleming" claims, which means that claims can be submitted relating to prior periods. The deadline for submission of claims was 31 March 2009. We have had some claims agreed (with interest). Claims to the estimated value of £1.5m remain outstanding as at 31 March 2011.

44. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- by approving annually in advance prudential and treasury indicators for the following three years limiting
- The Council's overall borrowing limits
- Its maximum and minimum exposures to fixed and variable rates
- Its maximum and minimum exposures to the maturity structure of its debt

- Its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

These are required to be reported and approved at or before the Council's annual council tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update. The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 1 March 2010 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £256m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was set at £227m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £253m and £85m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown at Table 1

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed annually.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website, the key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- UK banks; and/or non-UK banks domiciled in a country which has a minimum Sovereign Long-term credit rating of AAA.
- Credit ratings of Short-term F1, Long-term A, Support 3 (Fitch only), Individual/Financial Strength E (Fitch/Moody's only) with the lowest available rating being applied to the criteria.
- Guaranteed Banks with suitable Government Support
- Eligible Institutions under the HM Treasury Credit Guarantee Scheme
- Money Market Funds

The full investment strategy for 2010/11 was approved by Full Council on 1 March 2010 and is available on the Council's website.

Impairment of Investments

Early in October 2008 the Icelandic Banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £9m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

Investments included in current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties experienced by Icelandic Banks.

Bank	Date Invested	Maturity Date	Amount Invested £000	Interest Rate %	Carrying Amount £000	Impair-ment £000
Heritable Bank	11/1/08	8/1/09	3,000	5.45	1,045	759
Landsbanki	14/1/08	12/1/09	3,000	5.45	2,452	994
Glitnir Bank	18/10/07	16/10/08	3,000	6.4	3,136	512
Total			**9,000**		**6,633**	**2,265**

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

The Balance Sheet shows the net impact of the impairment of the Icelandic Banks investment in the Financial Instruments Adjustment Account. Regulations issued in March 2009 allow the Council to defer the impact of an impairment loss on the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Council has taken advantage of the regulations, and has transferred the amounts shown in the following table to the Financial Instruments Adjustment Account as at 31 March 2011.

Bank	**Amount Transferred to Financial Instruments Adjustment Account £000**
Heritable Bank	391
Landsbanki	549
Glitnir Bank	(137)
Total	**803**

Under the regulations, the Council was required to transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and to also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The following credits were made to the Financial Instruments Adjustment Account (FIAA):

Bank	**Balance on FIAA at 1/4/10 £000**	**Interest during 2010/11 £000**	**Change in Impairment £000**	**Balance on FIAA at 31/3/11 transferred to General Fund £000**
Heritable Bank	458	(68)	1	391
Landsbanki	1,078	(105)	(425)	549
Glitnir Bank	225	(178)	(184)	(137)
Total	**1,761**	**(351)**	**(608)**	**803**

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. A total repayment of £1.092m was received (34.98%) in 2009/10 and £0.472m (15%) was received in 2010/11, the revised impairment is based on the assumption that a further 35% will be received by the end of 2012/13, taking the total dividends expected to be paid to 84.98%.

Therefore in calculating the impairment the Council has made the following assumptions re timing of recoveries:

Date	Repayment	Date	Repayment
April 2011	6.25%	April 2012	5%
July 2011	5%	July 2012	5%
October 2011	5%	October 2012	3.65%
January 2012	5%		

Recoveries are expressed as a percentage of the Council's claim in the administration,

Glitnir Bank hf & Landsbanki

The impairment for Glitnir and Landsbanki in 2008/09 has been based on the assumption that local authority deposits with the bank had priority status, and would therefore be repaid ahead of any creditors that did not have priority status. This was based on the legal advice obtained by local authorities, and on announcements made by the banks.

The Glitnir Winding-Up Board has since expressed the view that local authority deposits do not have priority status. Local authorities' legal advice remains that deposits have priority status under Icelandic law. The Reykjavik District Court issued a verdict on 1 April 2011 confirming the local authorities' claims qualified for priority under Article 112 of the Icelandic Bankruptcy legislation. This related to both Glitnir and Landsbanki and also confirmed the position in relation to interest. These decisions are being appealed to the Icelandic Supreme Court, however the current court ruling confirms the priority stance reflected in the accounts where it is estimated that Glitnir will make a 100% repayment in December 2011 and Landsbanki will repay 94.85% of the claim by December 2018.

The District Court decisions confirmed the position in relation to interest in the authorities' favour. Where deposits matured between 6 October 2008 and 22 April 2009, local authorities claims should be on the value of the matured deposit plus interest of at least the contractual rate on the maturity value for the period from maturity to 22 April 2009.

Deposits with the Icelandic-domiciled banks were converted to Icelandic Krona on 22 April 2009. Repayments by the banks will be based on the value of the deposit in ISK; the sterling value received by authorities will depend on the prevailing exchange rate, and may vary from the equivalent value on 22 April 2009.

Therefore in calculating the impairment the Council has made the following assumptions re timing of recoveries:

Glitnir: 100% recoverable in June 2011.

Landsbanki:

Date	Repayment	Date	Repayment
December 2011	22.17%	December 2015	8.87%
December 2012	8.87%	December 2016	8.87%
December 2013	8.87%	December 2017	8.87%
December 2014	8.87%	December 2018	19.46%

In the event that the appeals to the Icelandic Supreme Court were to be successful and the decisions of the Icelandic District Court to award priority status to Local Authority deposits were reversed then the repayments which the Council is expecting to receive would be reduced significantly.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

Table 1

Credit Risk Exposure
City of Wakefield MDC
as at 31 March 2011

Deposits Held Banks, Building Societies & Financial Institutions	Amount @ 31 March 2011 £ '000 (a)	Historical experience of default % (b)	Adjustment for Market Conditions @ 31 March 2011 % (c)	Est. Maximum Exposure to Defaults £ '000 (a*c)	Est. Maximum Exposure to Defaults Previous Yr @ 31 Mar 2010
AAA Rated Counterparties	-				0
Less than one-year - No Risk:	-	0.00	0.000%		
One to Two-year - No Risk:	-	0.00	0.000%		
AA (or above) Rated Counterparties	-				0
A (or above) Rated Counterparties	-				
Less than one-year - 0.10% Risk:	-	0.00	0.000%		17
One to Two-year - 0.27% Risk:	-	0.00	0.000%		8
Two to Three-year - 0.41% Risk:	-	0.41	0.000%		9
BBB Rated Counterparties	-				
BB (or above) Rated Counterparties	-				
B (or above) Rated Counterparties	-				
CCC to C Rated Counterparties - Icelandic Banks *	-				
Less than one-year - 26.39% Risk:	-	0.00	0.000%		732
One to Two-year - 29.41% Risk:	-	0.00	0.000%		426
Five-year (+) - 35.31% Risk:	-	0.00	0.000%		679
Other Counterparties	-				
Bonds - AAA rates					
Trade Debtors	5,936	2.89	2.890%	172	296
TOTAL	5,936			172	2,167

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council does not hold any investment bonds.

Trade Debtors

The Council does not generally allow credit for its trade debtors, such that £3.416m of the £5.936m balance is past its due date for payment. The past due amount can be analysed by age as follows:

Table 2

Age of Debt	£000s
Two to six months	1,267
Six months to one year	613
More than one year	1,536
Total	3,416

Collateral

The Council does not pledge any collateral as security but in respect of deferred payments under sections 22 and 55 of the Social Care Act 2001 a legal charge has been placed on the properties of the Debtors. The amount due to the Council at 31 March 2011 is £1.004m (2009/10 £0.676m). The Council has also given some housing relocation loans and mortgage rescue schemes and a legal charge is placed on the properties to enable the loans to be repaid when the properties are sold. The amount due to the Council at 31 March 2011 is £2.402m (2009/10 £1.986m).

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities (Principal Element) is as follows:

Table 3

Date of Maturity (Principal amount)	2009/10 £000	2010/11 £000
Less than one year (Short term creditors & borrowing)	55,945	62,747
Between one and two years	64	70
Between two and five years	10,231	10,253
Between five and ten years	587	619
Between ten and fifteen years	24,552	31,967
Between fifteen and twenty years	18,273	18,999
Between twenty and twenty five years	18,657	10,796
Between twenty five and thirty years	4,742	7,792
Between thirty and thirty five years	45,978	42,337
Between thirty five and forty years	0	0
Between forty and forty five years	63,183	65,683
Over forty five years	14,200	11,700
Total	256,412	262,963

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of

fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

Table 4

1% Higher Rates	**£000s**
Increase in interest payable on variable rate borrowings (note I)	-
Increase in interest receivable on variable rate investments (note II)	-
Impact on Income and Expenditure Account	-
Increase in Government grant receivable for financing costs	-
Decrease in fair value of fixed rate investment assets	127
Impact on Movement in Reserves Statement	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on CIES)	31,531

Note (I) – Although the Council holds £60m of LOBO's which are deemed to be variable due to the lenders option they are held at a fixed rate so any movement in interest rates will have no effect.

Note (II) – Not all investments are fixed rate instruments.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost (see Note15)

Price risk - The Council does not generally invest in equity shares or marketable bonds.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

45. LANDFILL ALLOWANCE TRADING SCHEME

The Council's Biodegradable Municipal Waste (BMW) disposal in 2010/11 has been met within its available allowances leaving 2,333 unused allowances. The net realisable value of these unused allowances as at 31st March 2011 is estimated at nil due to the surplus of allowances which are available nationally.

46. TRUST AND THIRD PARTY FUNDS

The Council acts as a trustee for a number of Trust and Third Party Funds. It also holds funds on behalf of various clients. These do not represent assets of the Council and are not included in the Balance Sheet.

The Council is the sole trustee in respect of the following funds:

Trust Funds where the Council acts as Sole Trustee	Balance at 1 April 2010	Income	Expenditure	Balance at 31 March 2011
	£000	£000	£000	£000
Pontefract Park Maintenance Fund	310	2	(2)	310
Fund to contribute towards the maintenance costs				
Ings Road Recreational Ground	26	-	-	26
Other Funds	7	6	-	13
TOTAL	343	8	(2)	349

The Council also holds the following funds:

Other Funds	Balance at 1 April 2010	Income	Expenditure	Balance at 31 March 2011
Family Services Client Funds	95	-	(41)	54
Family Services Amenity Funds	42	14	(17)	39
Bequests for School prizes	67	6	-	73
TOTAL	204	20	(58)	166

47. EXCEPTIONAL ITEMS

The Council is in the process of settling liabilities in respect of equal pay claims under the Equal Pay Act 1970. Compensation offers have been made to a number of employees, and there are further offers planned in 2011/12. In 2009/10 a provision was made of £7.78m for anticipated future payments. The Council has made payments in 2010/11 of £3.31m and provided £1.88m for outstanding claims - a total of £5.19m. The figure included in the Income and Expenditure account (£2.59m) represents the decrease required to reduce the level of provision to £1.88m.

48. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2010/11 as part of the rationalisation of services to deliver recurring budget savings, incurring redundancy liabilities paid to employees of £4.1m. (£1.2m in 09/10). In addition a provision of £300k was created for redundancies already approved at 31 March 2011.

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988, as amended by the Local Government Act 1992. Under this Act, the Council is required to maintain an account, separate from the General Fund, for the collection of income from Council Tax, business rates and residual community charge. This income finances the net expenditure requirements of the Council (including Parish Councils), the West Yorkshire Police Authority and the West Yorkshire Fire and Rescue Authority.

A separate Balance Sheet is not required as Collection Fund balances are consolidated with other accounts of the Council (see Balance Sheet page 19).

Summary Income and Expenditure Account

2009/10 £000		2010/11 £000	Notes
	Income		
106,573	Council Tax	108,868	
22,527	Council Tax Benefits	23,320	
106,048	Business Rates (Net of Provisions and Reliefs)	103,312	2
3	Adjustments for Previous years Community Charges	1	3
235,151	**Total Income**	**235,501**	
	Expenditure		
	Precepts and Demands		
107,522	Wakefield Metropolitan District Council	110,689	1
2,100	Parish Precepts	2,211	
12,737	West Yorkshire Police Authority	13,125	
5,140	West Yorkshire Fire and Rescue Authority	5,271	
127,499	Total Precepts and Demands	131,296	
	Business Rates		2
105,583	Payment to National Pool	102,852	
465	Cost of Collection	460	
106,048	Total Business Rates	103,312	
	Bad and Doubtful Debts		4
22	Write Offs	7	
562	Provisions	755	
584	Total Bad and Doubtful Debts	762	
	Distribution of Collection Fund Surplus		5
-	Wakefield Metropolitan District Council	-	
-	West Yorkshire Police Authority	-	
-	West Yorkshire Fire and Rescue Authority	-	
-	Total Distribution of Collection Fund Surplus	-	
234,131	**Total Expenditure**	**235,370**	
(1,020)	**Deficit / (Surplus) for the year**	**(130)**	

2009/10 £000	Collection Fund Balances	2010/11 £000
82	Balance Brought Forward at 1 April	1,102
1,020	Surplus / (Deficit) for year	130
1,102	**Balance Carried Forward at 31 March**	**1,232**

2009/10 £000	Collection Fund Balances WMDC and Major Preceptors	2010/11 £000
	WMDC	
72	Balance Brought Forward at 1 April	949
877	Surplus / (Deficit) for year	112
949	**Balance Carried Forward at 31 March**	**1,061**
	Police	
7	Balance Brought Forward at 1 April	109
102	Surplus / (Deficit) for year	13
109	**Balance Carried Forward at 31 March**	**122**
	Fire	
3	Balance Brought Forward at 1 April	44
41	Surplus / (Deficit) for year	5
44	**Balance Carried Forward at 31 March**	**49**
	TOTAL	
82	Balance Brought Forward at 1 April	1,102
1,020	Surplus / (Deficit) for year	130
1,102	**Balance Carried Forward at 31 March**	**1,232**

1. COUNCIL TAX

- Calculation of the Council Tax Base

Council Tax charges are calculated by estimating the amount of income required from the Collection Fund by the Council and Precepting Authorities for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings). The Council Tax base for 2010/11 was calculated as follows:

Band	Valuation	Number of Dwellings 01 December 2009	Proportion of Band D Tax	2010/11 Band D Equivalent
A (Disabled)	Up to £40,000	242	5/9	134
A	Up to £40,000	65,376	6/9	43,584
B	£40,000 to £52,000	23,834	7/9	18,538
C	£52,001 to £68,000	18,574	8/9	16,510
D	£68,001 to £88,000	11,567	9/9	11,567
E	£88,001 to £120,000	5,913	11/9	7,228
F	£120,001 to £160,000	1,921	13/9	2,774
G	£160,001 to £320,000	1,016	15/9	1,693
H	Over £320,000	38	18/9	75
		128,481		102,103
Number of Band D Equivalents for contributions in Lieu (Band O exempt dwellings)				0
				102,103
Less allowance for non -collection (assumed collection rate 98.5%)				(1,531)
TAX BASE FOR THE CALCULATION OF COUNCIL TAX (Net Band D Equivalent)				**100,572**

- Calculation of Council Tax at Band D

The basic amount of Council Tax for Wakefield for a Band D property for 2010/11 excluding Parish Precepts is £1100.59 (£1074.79 for 2009/10). The basic amount of Council Tax including major preceptors (West Yorkshire Police and Fire Authority's) is £1,283.50 (£1,253.49 for 2009/10).

2. INCOME FROM BUSINESS RATES

Business Rates (also known as Non-Domestic Rates) are collected locally based on the local rateable value multiplied by a uniform rate. A different rate applies to small businesses.

Details of Rateable Value and Multipliers	2009/10	2010/11
Non-Domestic Rateable Value at Year End (£000)	257,096	302,580
National Non - Domestic (NNDR) Multiplier	48.5p	41.4p
Small Business Non - Domestic Rates Multiplier	48.1p	40.7p

The income collected by the Council, less certain reliefs and other deductions, is paid into a central NNDR Pool administered by Central Government, and can be analysed as follows:

Contribution to NNDR Pool	2009/10 £000	2010/11 £000
Business Rates Collectable	107,290	104,535
Less :		
Discretionary Relief Claimable from Pool	(329)	(320)
Cost of Collection Allowance	(465)	(460)
Interest on Refunds	(224)	(166)
Losses on Collection / Write offs	(689)	(738)
Total Payable To Pool	**105,583**	**102,852**

The Government distributes the sums paid into the Pool back to local authorities' General Funds on the basis of a fixed amount per head of population. For 2010/11, Wakefield's Share of the Pool amounted to £123.3m (£111.4m for 2009/10).

3. ADJUSTMENTS FOR PREVIOUS YEARS' COMMUNITY CHARGE

Although Community Charge was replaced by the Council Tax from 1 April 1993, the Council collected some residual amounts of Community Charge which were raised between 1990/91 and 1992/93. This is accounted for within the Collection Fund.

4. BAD AND DOUBTFUL DEBTS

During 2010/11 write-offs totalled £729k of which £722k related to previous years and £7k related specifically to 2010/11.

The contribution to the provision for bad debts has been reassessed as £755k which slightly increases the provision to £2.4m from its 2009/10 level of £2.37m.

5. DISTRIBUTION OF COLLECTION FUND SURPLUS

Surpluses or deficits on the Council Tax account are shared between the Council and the other precepting authorities in proportion to their budgets. Any surplus is used to reduce the level of Council Tax bills in later years.

The forecast surplus available for distribution at 31 March 2010 was nil (nil at 31 March 2009).

GLOSSARY OF TERMS

This glossary is provided to assist the reader. It gives explanations of common terms used in relation to local authority finance (which are not explained elsewhere in the Statement), many of which are used within this document.

Accounting Period

The period covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date, 31 March.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Annual Governance Statement

A statutory document which provides an overview of the governance arrangements within the Council, aids the effective exercise of Council functions, and includes arrangements for the management of risk.

Asset

An item having value in monetary terms. Assets are defined as current or fixed. A current asset will be consumed or cease to have material value within the next financial year. A fixed asset provides benefits to the Council and its services for more than one year.

Audit of Accounts

An independent examination conducted on a test basis, of the Council's financial statements.

Best Value Accounting Code of Practice (BVACOP)

The BVACOP provides guidance on local authority accounting and financial reporting in order that data consistency and comparability is achieved. It is reviewed and updated annually.

Budget

A statement of spending plans and anticipated income for a financial year.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. Services are charged for each asset they use with a provision for depreciation.

Capital Programme

The capital schemes the Council intends to carry out over a specified time period.

Community Assets

Assets that the Council intend to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community assets are parks and historic buildings.

Corporate and Democratic Core

The corporate and democratic core comprises all activities, which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Current Assets

Is an amount which will become receivable or could be called in within the next accounting period.

Debt Management Expenses

The expenses involved in administering Treasury Management services related to capital expenditure and financing.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Direct Revenue Financing

The financing of capital expenditure directly from revenue.

Exceptional Items

Where items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments including any initial payments amount to substantially all of the fair value of the leased asset.

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes trade receivables, trade payables and derivatives.

Financial Procedure Rules

Written rules of the Council relating to all matters with financial implications. All Council officers must comply with these rules.

General Fund

All services except Collection Fund are known as General Fund services. The net cost of services is met by precept on the Collection Fund.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the Council.

- *Grant Conditions* are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
- *Grant Restrictions* are stipulations that limit or direct the purposes for which an asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure Assets

Inalienable assets, expenditure on which is recoverable only by continued use of the assets created. Examples of infrastructure assets are highways and footpaths.

International Accounting Standards (IAS)

Standards developed by the International Accounting Standards Board (IASB) that are required to be followed.

International Financial Reporting Standards (IFRS)

The Standards (including International Accounting Standards (IAS)) developed by the International Accounting Standards Board (IASB))and supported by interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) on which the accounts of this Council are based.

International Public Sector Accounting Standards (IPSAS)

In some cases IFRSs do not provide relevant guidance for the public sector context, or need to be adapted for this. In these cases, the International Public Sector Accounting Standards (IPSASs) issued by IPSASB are used as a source of supplementary guidance.

Investment Properties

Are those assets that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Liability

A liability is where the Council owes payment to an individual or organisation. A current liability is an amount which will become payable or could be called in within the next accounting period. A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period.

Minimum Revenue Provision

The minimum amount which must be charged to an authority's revenue account each year in respect of the financing of capital expenditure through borrowing.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet i.e. their historical value or current value less the cumulative amounts provided for depreciation.

Net Expenditure

Gross expenditure less specific income.

Non Current Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Non Distributed Costs

This includes pension’s expenditure and income not relating to existing employees, which under IAS 19 are not directly chargeable to services. In addition, it includes overheads for which no user now benefits and which should not be apportioned to services.

Non-Domestic Rate (NDR)

The standard rate in the pound set by the Government on the assessed rateable value of properties used for business purposes.

Outturn

Actual income receivable and expenditure due in a financial year.

Payments in Advance

These are payments made in advance of goods or services being provided to the Council.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Taxpayers on their behalf.

Prior year adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)

A Central Government initiative that enables authorities to carry out capital projects through partnership with the private sector.

Prudential Code

The Prudential Code is a professional Code of Practice developed by CIPFA whose objective is to ensure local authorities capital investment plans are affordable, prudent and sustainable.

Public Works Loan Board (PWLB)

The PWLB is a Government financed body which makes long term money available to local authorities that are able to borrow a proportion of their requirements to finance capital spending from this source.

Receipts in Advance

Income received in advance of goods or services being provided

Recharges

A charge made by one service to another (or from one part of a service to another part) for work carried out on their behalf.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserve

A reserve is an amount set aside in one financial year and carried forward to meet liabilities in a subsequent financial year, both general and specific liabilities.

Revenue Support Grant

Revenue Support Grant is the general Government support towards Local Government revenue expenditure.

Useful life

The period over which the Council will derive benefits from the use of a fixed asset.

INDEX OF NOTES

INDEX OF NOTES

1. SCOPE OF RESPONSIBILITY

1.1 Wakefield Metropolitan District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is included in the supplementary document that sits alongside the Council's Constitution. This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011, in relation to the publication of an Annual Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The Council adopted a revised Local Code of Corporate Governance ('the Code') in March 2009 which complies with a guidance note on 'Delivering Good Governance in Local Government' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). This Code has recently been reviewed and updated.

2.4 There are six core principles that good governance is based on:

i. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;

ii. Members and officers working together to achieve a common purpose with clearly defined functions and roles;

iii. Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

iv. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

v. Developing the capacity and capability of Members and officers to be effective;

vi. Engaging with local people and other stakeholders to ensure robust public accountability.

2.5 The governance framework has been in place in the Council for the year ended 31st March 2011 and up to the date of approval of the Statement of Accounts for 2010/11.

3. THE COUNCIL'S GOVERNANCE FRAMEWORK

3.1 The following section describes the key elements of the systems and processes that comprise the Council's governance arrangements which were in place during 2010/11, set out against the six core principles identified in paragraph 2.4 above.

Core Principles of the Council's Code of Corporate Governance

3.2 **Core Principle 1 – Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**

3.2.1 The overarching purpose and vision for the Council is set out in the Council's existing Corporate Plan 2010/2013, and is:

- To deliver high quality, citizen focused services.
- To work with partners to ensure citizens and communities achieve their full potential.
- To be among the best performing councils.

This vision has been integral to delivery of the Council's ambition to go 'Beyond Excellence' and the continued transformation of services to meet current and future citizens' needs and expectations.

The existing Corporate Plan also sets out the Council's core values which place citizens at the heart of everything it does:

- **Ambition** - Setting high standards of service delivery by focusing on continuous improvement and putting citizens at the heart of everything we do.
- **Respect** - In how we treat each other and our customers.
- **Integrity** - Ensuring probity in our processes, being open and honest in decision making and fostering a learning culture in the organisation

3.2.2 The Council's Corporate Plan is revised on a regular basis to ensure it remains fit for purpose – this includes any inherent refresh of the vision and core values. A refresh of the Plan for 2011 onwards is being progressed (at the time of writing) but will continue to form an integral part in fulfilling core principle 1 of the Code of Governance. Any subsequent versions of the Plan can be found at www.wakefield.gov.uk and should be read in line with this Code of Governance.

3.2.3 The vision for the Wakefield district is set out in the existing Community Strategy, Developing Knowledge Communities 2006 which was developed through extensive citizen and partner engagement. The Strategy confirms the 25 year vision for the district as a place:

- Moving forward, motivated by pride and heritage.
- Where people look after themselves and each other so they are safe and healthy, having the skills and confidence to take more control over their lives.
- With places that are attractive to live, learn, work and invest in and where diverse towns and villages work together to promote the well being of the whole of the district.
- Where together with the younger people of the district, we will ensure the work we do now stands the test of time.

3.2.4 Three district-wide priorities support the vision and help ensure fundamental improvements in the social, economic and environmental wellbeing of citizens. These are:

- Skills, Enterprise and Work – creating sustainable communities by developing skills for life and employment of local people, as well as encouraging inward investment and the creation/ growth of local businesses.

- Safer and Stronger Communities – developing sustainable communities through tackling issues around crime and community safety and improving the cleanliness of neighbourhoods and quality of public spaces.

- Healthier Communities – developing sustainable communities by increasing life expectancy, encouraging people to adopt healthier lifestyles and promoting the take up of leisure and cultural activities.

3.2.5 The existing Community Strategy has 3 underpinning principles of Cohesion, Engagement and Sustainability which run alongside 4 cross-cutting challenges: Children and Young People, supporting the voluntary and community sector and culture.

3.2.6 The existing Community Strategy is also being refreshed and revised. Pledges to the citizens of Wakefield district have been agreed by the Local Services Board and broader Partnership stakeholders. These pledges cover the five year period from June 2011 and are:

- To create job opportunities, raise skill levels and help local people into employment
- To meet the housing needs of the district
- To reduce health inequalities between different parts of the district
- To continue to make the district safer by reducing the level of crime and anti social behaviour in the district.
- To create a better quality environment

As with the Corporate Plan, the Community Strategy forms an integral part of the fulfilling the requirements of Principle 1 of the Code of Governance. Future revised copies of the Strategy can be found at www.wakefield.gov.uk.

Transparency and improved accountability to citizens on the vision and priorities for the area will continue to be fulfilled through participation of both the Corporate Plan and Community Strategy on the Council's and Partnerships relevant websites.

3.3 **Core Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles;**

3.3.1 The roles and responsibilities of executive and non-executive members are clearly set out in the Council's Constitution which includes a scheme of delegation and relevant codes of practice. Cabinet and Corporate Management Team (CMT) provide strategic leadership in the overall co-ordination of Council policies, strategies and service delivery. The Council has continued to review these processes and responsibilities to ensure it meets all legislative requirements, as well as strengthening the effectiveness of political leadership in achieving the desired outcomes for the district. The role of relevant elected members and Council offices in the Local Strategic partnership is set out in the revised Partnership Agreement.

3.4 **Core Principle 3 - Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

3.4.1 The Standards Committee is chaired by an independent co-opted member and works to promote and maintain high ethical standards. The member and officer Code of Conduct reinforces the Council's commitment to all related statutory and ethical duties and is publicly available to citizens and other stakeholders to ensure transparency. Ethical standards are embedded through training and induction for both members and officers

and reviewed regularly. The Council's Corporate Plan also identifies the headline core values and beliefs for the organisation.

3.4.2 The Council's Audit Committee has responsibility for a range of governance issues as advocated by CIPFA, to provide assurances to support the Annual Governance Statement. An independent member from the business community sits on the Audit Committee.

3.4.3 Overview and scrutiny committees assist the Cabinet in policy formulation and review and have "call-in" powers to consider appropriateness of executive decisions. They also review Council functions and matters of local concern. They include independent people to allow a greater say in decision making.

3.4.4 The Corporate Complaints Procedure is applied consistently as a tool to help identify service improvements from complaints, comments and compliments received.

3.4.5 The use of the Council's Whistle blowing Policy is monitored through the Council's broader performance arrangements.

3.4.6 The Council has a number of corporate working groups that provide focus to a range of key issues for the Authority. The Beyond Excellence Service Team (BEST) that meets monthly and consists of all service directors has a particular focus to ensure a corporate approach to Council initiatives. In addition, the Council has a Corporate Performance Working Group that is linked to the BEST and is charged with ensuring all aspects of performance management (including issues such as data quality) are developed, implemented and embedded in line with corporate standards. Furthermore, a high level Annual Governance Statement (AGS) Officer Group is now firmly established and is chaired by the Service Director for Legal and Governance and has specific responsibility for all governance issues including those of Wakefield Together (the Local Strategic Partnership), and other partnerships where the Council is the accountable body. This Group is also responsible for the production of an action plan, and the monitoring of actions contained in the AGS, including the requirement of the Accounts & Audit Regulations to undertake an annual review of the effectiveness of the internal audit function.

3.5 **Core Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

3.5.1 Decision-making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming significant decisions are published in the Forward Plan and the officer delegation scheme ensures that routine decisions are made at the right level, with Cabinet focusing on policy development, strategic and cross cutting issues. Scrutiny processes are robust and effective and include independent challenge through co-opted members. Five specific committees and ad hoc, cross cutting working groups provide effective overview and challenge to both Council and partner services.

3.5.2 The Council's approach to strategic and operational risk management is robust, with elected members playing a key role and receiving training from senior officers. Audit Committee members receive bespoke training on finance, audit and governance. Risk is reviewed regularly as part of the Audit Committee agenda and Cabinet and CMT jointly review the Council's strategic risks as part of the business planning process.

3.5.3 Risk management arrangements centre on the Council's Risk Management Policy and Strategic Framework. This Framework is supported by an Action Plan for further developing and embedding risk management throughout the whole of the Council's activity such as the integrated clinic arrangements. The Risk Manager, (supported by a corporate Risk Management Sub-Group), is charged with responsibility for implementing the Action Plan, maintenance of the Council's risk register and regular review of risks by trained staff.

3.6 **Core Principle 5 - Developing the capacity and capability of members and officers to be effective**.

3.6.1 The Council considers member and officer training to be critical to further their future development. The Council has in place a development programme that covers topics

such as leadership skills, ethics and standards; elements of the member programme are delivered jointly with CMT and aligned to the Council's management development programme. Both elected and co-opted members also have training plans.

3.6.2 Officers have an annual appraisal that includes performance against objectives, reviewing and updating personal development plans against the Council's competency framework.

3.6.3 During 2010/11 the Talented and Effective workforce Group revised the Council's appraisal processes, developed a Council-wide induction programme; and updated the 'Pride' and long service recognition schemes. Into 2011/12 a revised Best People Plan will be developed.

3.7 Core Principle 6 - Engaging with customers and other stakeholders to ensure robust public accountability*.*

3.7.1 The Council's Engagement Framework has been developed with partner organisations. Its aim is to ensure that effective, two way dialogue with citizens is undertaken and that results are used to inform decision making and priority setting. It also forms the basis of how the Council and partners engage with citizens, including hard to reach groups such as older people, younger people, people with disabilities and faith groups. A review of the Engagement Framework is commencing, linked to the Council's new arrangements for area based working. As the Framework forms an integral part of fulfilling the requirements of Principle 6, any subsequent revised version can be found at www.wakefield.gov.uk and should be used in conjunction with this Code.

4. REVIEW OF EFFECTIVENESS

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. In practice the review of effectiveness is an ongoing process throughout the year and is informed by the work of elected Members, Corporate Directors, Service Directors and other managers of the Council who have responsibility for the development and maintenance of the governance environment; the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Maintaining and reviewing the effectiveness of the system of governance is achieved through:

A ***Annual assessment of the Council by the Audit Commission (including the annual Value for Money Assessment).*** Within the 2009/10 Annual Governance Report, issued by the Audit Commission in September 2010, Wakefield Council's accounts were stated to be free of material error and internal control and Value For Money arrangements were deemed to be adequate, with no specific failings identified.

B ***Review and update of the corporate strategic risk register to reflect the changing nature of the strategic risks faced by the Council.*** The register was reviewed during the second half of the year and a revised register was approved by Cabinet and entered onto the formal risk management database in early 2011.

C ***The annual review of the effectiveness of the system of Internal Audit****.* This review has been carried out by the AGS Group, which concluded, as in the previous year, that "the system is effective, with only minor areas for development in order to ensure full compliance with the CIPFA Code of Practice for Internal Audit in the United Kingdom 2006".

D ***Consideration of any determinations by the Ombudsman****.* Within the 2010/11 reporting period, Wakefield Council has not been the subject of a determination by the Ombudsman.

E ***Taking account of any breaches of the Code of Conduct by Members****.* During 2010/11 no elected Members of Wakefield MDC were found to be in breach of the Code of Conduct.

F ***The annual opinion of the Head of Internal Audit on the adequacy of internal control arrangements based on the outcomes of individual audit reviews***. The 2010/11 opinion is:

"From the work undertaken by Internal Audit and reported upon during 2010/11, the opinion of the Service Manager Internal Audit and Risk is that systems of Internal Control continued, in general, to be adequate to prevent potential significant material risks of a strategic and operational nature, becoming real. Whilst this opinion is unqualified, it should be noted that a number of key areas for ongoing and further improvement were identified from Internal Audit work, which are referred to within the content of Section 5 of this 2010/11 Annual Governance Statement. The continuing implementation of identified control improvements is necessary to further enhance the existing systems of internal control during 2011/12".

G ***Annual Governance Assurance Statement (AAS) returns from Service Directors/ Managers and Financial Assurance Statements from Group Finance Managers***. The completed 2010/11 statements have identified some issues that need further consideration by the AGS Officer Group. These are primarily issues which are already targeted for ongoing action within the Council e.g. risk management, partnership working. A quarterly progress report will be submitted to CMT.

H **Consideration of complaints made under the formal complaints procedure.** The complaints procedure is consistently applied across the council and used to identify and inform areas for improvement which are agreed with services. Monitoring procedures are in place to ensure that improvements are implemented within expected timescales. A robust process is in place for the receipt and handling of complaints, driven by the published Customer Care Standards that form part of the Customer Services Strategy. 'Right first time' is the core principle in handling any Stage 1 complaint and inherent in Stage 2 is the requirement for an independent officer to review and respond to the complaint. During 2010/11 there has been a marked reduction compared to the same period 2009/10. The improvements have resulted from systems and processes which were implemented to dramatic effect within Waste and Neighbourhoods having now been adopted Council-wide. Mediation with customers is now carried out prior to complaints being formalised to attempt to address the issues immediately. Complaint letters are consistently signed off by Service Managers providing assurance by senior management that a comprehensive investigation has been carried out. The final stage of the procedure has been further strengthened by making it clear to the customer that the investigation has been commissioned by the Chief Executive on behalf of the customer.

I ***Outcomes of external reviews.*** A number of external reviews have been concluded during 2010/11 including inspections of the Housing Benefits Service and Safeguarding arrangements.

<u>Housing Benefits Service</u>
The Housing Benefits Service review found that the Council was delivering a 'Good' service, with promising prospects for improvement. Three main areas for improvement were identified.

The recommendations were included on the Service Improvement Plan and were on course to be completed within the timescales given.

<u>Inspection of Safeguarding and Services for Looked After Children</u>
A total of 32 ratings were given as part of this inspection, 10 of which were 'adequate' and 12 were 'good'. The unannounced inspection of Safeguarding services in June 2010 identified seven areas for development.

The Council implemented a robust action plan which had made some progress in tackling these issues. In addition the content of the final Report from Ofsted is being used to inform service planning and future priorities.

J ***The ongoing review and development of the Performance Management Framework (PMF)***. The Council's integrated approach to performance management - which includes integrated corporate clinics of finance, performance and risk information - is regularly reviewed. The most recent refresh of the Framework took place December 2010 to March 2011 and resulted in: revised corporate priorities (which will be included in the revised Corporate Plan); further rationalisation of performance measures; and more streamlined business plans. The PMF is framed around a comprehensive approach to 'assurance' – based on risk management principles of 'who needs to know what'; this is considered proportionate and fully in line with good practice.

K ***Consideration of relevant Health and Safety issues.*** An Action Plan has been agreed at CMT for 2011/12, all DMT's have had awareness visits and each one now has a dedicated Health and Safety champion, a Health and Safety pack has been distributed around all Directorates. In line with the Action Plan CMT is kept informed on progress. The Council continued to work closely with the HSE Inspectorate during 2010 /11 to bring to conclusion specific interventions. The Inspector has been satisfied with progress and plans developed for 2011/12

L ***Member Training***. The Member training induction programme is considered and amended by CMT on an annual basis ahead of each new Municipal Year.

M ***Engagement Framework.*** The Council's Engagement Framework is being revised to reflect the new arrangements for area based working. It will have citizen engagement and feedback at its heart, and this will be used to drive priority setting and future service delivery within localities. Citizens, officers and elected members are actively engaged in the development of the new Framework through the seven area forums.

4.2 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the AGS Officer Group and Audit Committee, and a plan is in place to address weaknesses and ensure continuous improvement of the system.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 In considering the significant internal control issues contained within the 2009/10 AGS, it is noted that the following enhancements have been achieved:

A. Finalised the Single Status exercise.
B. Worked with the Health and Safety Executive on health and safety issues to embed compliance with the Health and Safety at Work legislation across the Council.
C. Sound arrangements in place for Schools, relating to governance and data quality arrangements of those services within schools which have been transferred from local authority service provision.

5.2 In addition to the above, a number of issues referred to in the 2009/10 AGS have been partially actioned during 2010/11 and will be further progressed during 2011/12 and beyond, being:

A. Co-ordinating corporate information regarding significant partnerships, and further embedding the principles of sound governance in respect of partnerships.

B. Further review the effectiveness of system controls including the Councils electronic Performance Management system and management information within the Council to support improved planning and service delivery.

C. Further develop financial and governance arrangements relating to major land and property issues.

D. Continue to embed risk management arrangements throughout all areas of the Council, in line with the approved Risk Management Policy and Strategic Framework.

E. Review asset and facilities management arrangements, to ensure a corporate and strategic approach is adopted;

F. Implement actions arising from the outcome of the on-going Internal Audit Review of the Council's Governance arrangements.

5.3 The AGS and supporting documentation provides evidence of improvements in the Council's governance arrangements in 2010/11. In looking towards 2011/12 and beyond, it is acknowledged there are a number of "new" initiatives to be implemented / embedded to further enhance the existing governance environment in addition to those recorded in 5.2 above. These key issues are:

A. Address any governance issues arising from consideration of the completed 2010/11 Assurance Statements, not being dealt with as part of progressing issues recorded in 5.2 above;

B. Any new controls regarding the development and implementation of the Catalyst Council programme.

C. National policy changes (including the implications of the Localism Bill).

D. Further raising of staff awareness of the risks of fraud and corruption across the Council and the consequences of inappropriate action by officers.

E. Improving arrangements for the treatment and management of debts across the Council.

5.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

BY ORDER OF THE AUTHORITY

Peter Box CBE	Joanne Roney OBE
Leader of the Council	Chief Executive of the Council